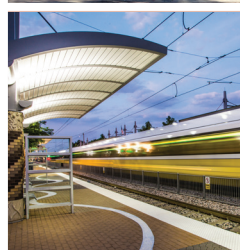
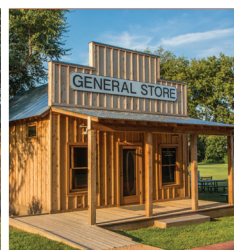


CITY OF FARMERS BRANCH, TEXAS

# Comprehensive Annual Financial Report



For the Year Ended September 30, 2013

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City of Farmers Branch, Texas  
Comprehensive Annual Financial Report

For the Year Ended September 30, 2013

City Council:

William P. Glancy

Jeff Fuller

Kirk Connally

Ana Reyes

Harold Froelich

Ben Robinson

Mayor

Mayor Pro Tem, District 3

Deputy Mayor Pro Tem, District 4

District 1

District 2

District 5

City Manager

Gary D. Greer

Prepared by

Finance Department  
Charles S. Cox, Director

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Comprehensive Annual Financial Report  
For the Year Ended September 30, 2013

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Comprehensive Annual Financial Report  
For the Year Ended September 30, 2013

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(concluded)



City of Farmers Branch  
13000 William Dodson Parkway  
Farmers Branch, Texas 75234

January 14, 2014

Honorable Mayor and City Council  
City of Farmers Branch  
Farmers Branch, Texas

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Farmers Branch, Texas for the year ended September 30, 2013. The purpose of the report is to provide the Council, management, staff, the public and other interested parties with detailed information reflecting the City's financial condition.

## **THE REPORT**

The Texas Local Government Code (§103.001) requires annual audits of municipalities and the City Charter (Sec. 2-18) requires an annual audit of the books of account, financial records, and other evidence of transactions by a certified public accountant within 120 days of the end of the fiscal year. These requirements have been fulfilled and the independent auditors' report is included with this report for the fiscal year ended September 30, 2013.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Grant Thornton L.L.P. has issued an unqualified opinion on the City of Farmers Branch financial statements for the year ended September 30, 2013. The independent auditors' report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter and should be read in conjunction with it.

## **PROFILE OF THE GOVERNMENT**

The City of Farmers Branch (City) covers approximately 12.1 square miles and is conveniently located on Dallas' northern border. It lies in the heart of an 11-county area that has emerged as a premier commercial, financial, and trading center. Two major interstate highways (IH-35 and IH-635), the Dallas North Tollway and the President George Bush Turnpike, border the City. The Dallas/Fort Worth International Airport and the Dallas Love Field Airport are only minutes from

Farmers Branch. These factors all contribute to the favorable business climate existing within the City.

The City of Farmers Branch was incorporated in 1946 under the general laws of the State of Texas. The City operates under a Council-Manager form of government. Policy-making and legislative authority are vested in a governing council (Council) consisting of the Mayor and five other members, all elected on a non-partisan basis. The term of office is three years, with the terms of two members expiring every year. Term limits allow two terms for at-large members and an additional two terms for an at-large member who becomes Mayor. The City Manager is the chief executive officer for the City.

Although the residential population has recently been estimated at 28,800, Farmers Branch serves a daytime population of approximately 91,900. The City provides a full range of municipal services including police, fire, emergency ambulance, sanitation, library, construction and maintenance of streets and municipal utilities, parks and recreation, water and sewer, planning and zoning, economic development, and general administrative functions. The City of Farmers Branch also is financially accountable for Tax Increment Financing Districts No. 1 and No. 2, and the Farmers Branch Local Government Corporation, which are included as blended component units and the North Dallas County Water Supply Corporation, which is included as a joint venture. Additional information on these four entities can be found in the notes to the financial statements (See Note 1.A).

The Council enacts the budget through passage of an ordinance prior to the start of each fiscal year. This budget serves as the foundation for the City of Farmers Branch's financial planning and control. Annual budgets are prepared for all governmental funds including the general fund, debt service fund, and special revenue funds. Capital projects funds are budgeted over the life of the project. The City Manager is authorized to transfer resources within each department. Council approval is necessary for all other transfers (See Note 1.D).

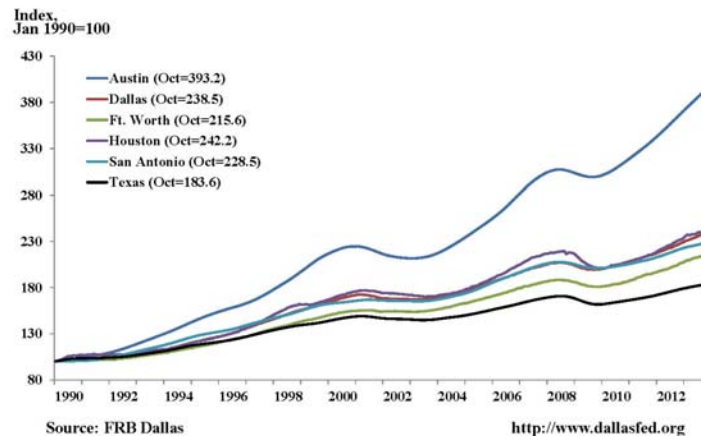
## **LOCAL ECONOMY**

According to the Federal Reserve Bank of Dallas' November 2013 Regional Economic Update, "The Dallas-Fort Worth economy has expanded at a moderately strong pace this year and is outperforming the state as a whole. Year to date, Dallas-Fort Worth employment has grown 2.9 percent, which is above the state's rate of 2.4 percent. Job growth continues to be mostly broad based across sectors. Housing activity remains at high levels, and home prices continue to rise as inventories fall. Demand for industrial space has led to the lowest availability rates since 2007. The Dallas and Fort Worth unemployment rates remain below those of the U.S. and Texas, and the Dallas Fed Business-Cycle Indexes suggest continued expansion for the Dallas-Fort Worth metroplex."





**Chart 21. Texas Major Metro Area Business-Cycle Indexes**



The City's broadly diversified economic base supports home furnishings, financial, high-tech, insurance, and telecommunications industries, and includes many of the nation's foremost businesses. Approximately seventy-eight percent (78%) of the City's tax base comes from the business community.

In fiscal year 2013, total general fund revenues of \$44.4 million represented an increase of 4.2 percent from the prior year. General fund property tax revenues increased 3.8 percent due to a higher allocation of the property tax rate for operations and increased commercial and business-personal property valuations as compared to the prior year. Sales and use taxes increased 7.4 percent showing continuing improvement from area businesses.

The fiscal year 2014 budget estimates that general fund revenues will increase almost \$2.4 million due to positive economic trends. The budget emphasizes investment in infrastructure and equipment needed to continually improve basic service to citizens. The fiscal year 2014 budget details water and sewer revenues at \$1.1 million greater than fiscal year 2013 due to a 6 percent water and sewer rate increase. Water and sewer fund expenses are projected to increase by \$1.3 million due primarily to increased water and wastewater treatment costs.

## **LONG-TERM FINANCIAL PLANNING**

Users of this document as well as others interested in the programs and services offered by the City of Farmers Branch are encouraged to read the City's 2013-2014 Fiscal Year Budget. The document details the City's long-term goals and financial policies, describes program accomplishments and initiatives, and outlines the City's capital improvement program. The City's budget also includes long-term financial plans for the general fund that forecasts revenues and expenditures over a five-year horizon. The document can be obtained from the City of Farmers Branch finance department by calling (972) 247-3131. The budget can also be accessed through the City's web site at [www.farmersbranchtx.gov](http://www.farmersbranchtx.gov) and selecting the Finance department using the web site's "department quicklink."

## **RELEVANT FINANCIAL POLICIES**

The City's fund balance/operating position concept continues to be an important factor in policy decisions. The concept notes that the City will strive to maintain a general fund unassigned fund balance to be used for unanticipated emergencies with a low end of 15% and a high end of 20% of the actual general fund expenditures plus other financing sources and uses. These monies will be used to avoid cash flow interruptions, generate interest income, reduce the need for short-term borrowing, and assist in maintaining an investment-grade rating.

The City of Farmers Branch invests funds prudently and has adopted an investment policy, which is reviewed annually by the City Council as prescribed by State law. Staff provides a quarterly report of investments for Council review. The City's investment practice is to buy securities and hold them to maturity to avoid potential losses from a sale. During fiscal year 2013, the City complied with all aspects of the investment policy.

## **MAJOR INITIATIVES**

In 1998, the City established a Tax Increment Finance District for the City's west side. This District encompasses over 800 acres of unimproved land. The goal of this District is to spur development in the last major undeveloped area of the City. Since the District was created, taxable values within the District have increased by \$40 million. Property taxes associated with this increment are used to accelerate public infrastructure improvements within the District. All taxing entities participate in funding these improvements. The District will legally expire in 2019.

## **AWARDS AND ACKNOWLEDGMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Farmers Branch for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2012. This was the twenty-fourth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City believes its current CAFR continues to meet the Certificate of Achievement Program requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning October 1, 2012. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

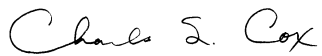
The preparation of this report on a timely basis was made possible by the dedicated service of the entire staff of the finance department and our independent auditors. We would also like to express sincere appreciation to all employees who contributed to its preparation.

In closing, without the leadership and support of the City Council, preparation of this report would not have been possible.

Sincerely,

A handwritten signature in cursive script that reads "Gary D. Greer".

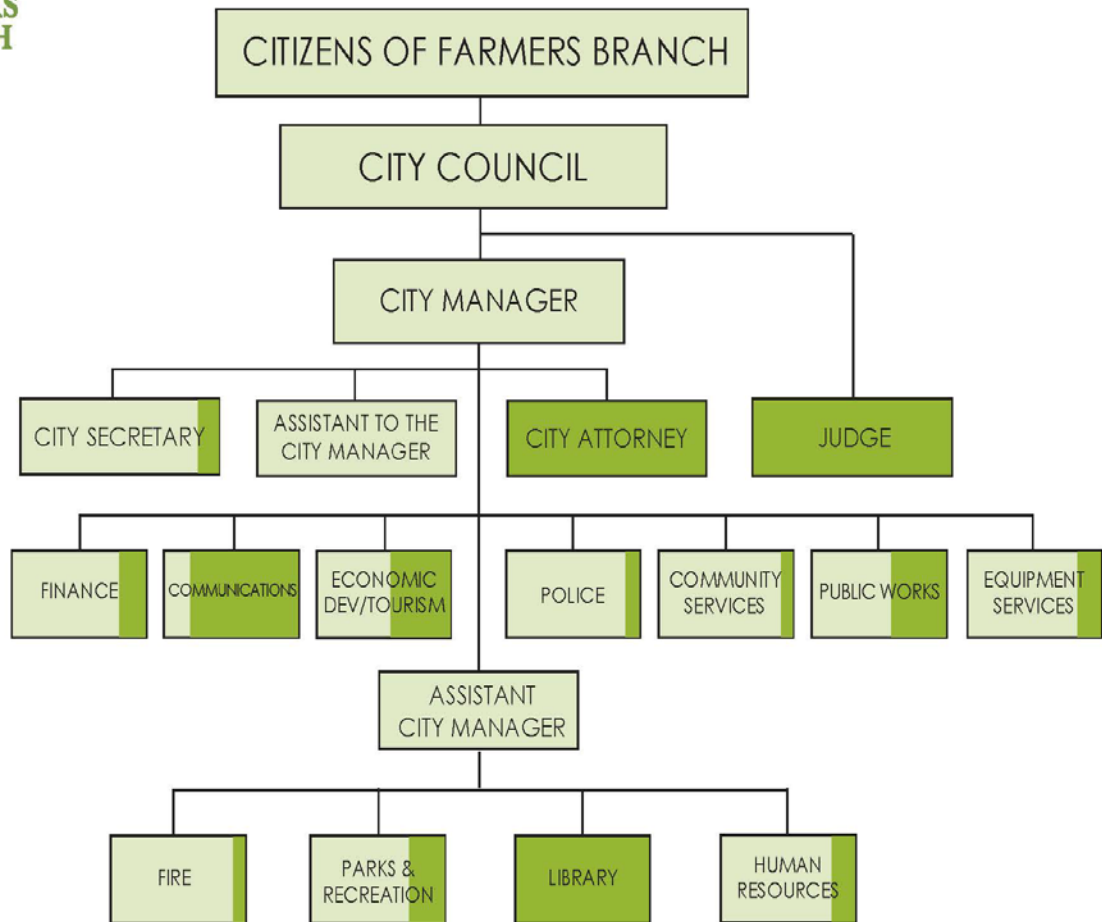
Gary D. Greer  
City Manager

A handwritten signature in cursive script that reads "Charles S. Cox".

Charles S. Cox  
Director of Finance



## CITY OF FARMERS BRANCH 2012-13 ORGANIZATION CHART



City of Farmers Branch, Texas  
List of Principal Officials

City Council

William P. Glancy  
Jeff Fuller  
Kirk Connally  
Ana Reyes  
Harold Froelich  
Ben Robinson

Mayor  
Mayor Pro Tem, District 3  
Deputy Mayor Pro Tem, District 4  
District 1  
District 2  
District 5

Appointed Officials

Gary D. Greer  
Albert B. Fenton  
Angela Kelly  
Tom Bryson  
Jim Olk  
John Land  
Kevin Muenchow  
Charles S. Cox  
Steve Parker  
Jeff Harting  
Sid Fuller  
Randy Walhood

City Manager  
City Judge  
City Secretary  
Communications/Marketing Director  
Community Services Director  
Economic Development Director  
Equipment Services Director  
Finance Director  
Fire Chief  
Parks & Recreation Director  
Police Chief  
Public Works Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Farmers Branch  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2012**

Executive Director/CEO



## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Mayor, City Council and City Manager  
The City of Farmers Branch, Texas

**Grant Thornton LLP**  
1717 Main Street, Suite 1500  
Dallas, TX 75201-4667  
**T** 214.561.2300  
**F** 214.561.2370  
GrantThornton.com  
linkd.in/GrantThorntonUS  
twitter.com/GrantThorntonUS

### Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Farmers Branch, Texas (the "City") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Farmers Branch, Texas as of September 30, 2013, and the respective changes in financial



position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the major special revenue funds-Landfill Closure/Post-Closure Fund and Stars Center Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Other matters**

##### ***Required supplementary information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 and the Required Supplementary Information on page 45 (Texas Municipal Retirement System Schedule of Funding Progress and Retiree Benefit Plan Schedule of Funding Progress) be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### ***Supplementary information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

##### ***Other information***

The introductory section, statistical section, and continuing financial disclosure section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

GRANT THORNTON LLP

Dallas, Texas  
January 14, 2014



# CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2013  
(Unaudited)

As management of the City of Farmers Branch (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

## FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2013 by \$142,775,391 (net position). The majority of the City's net position of \$141,373,416 (99%) is invested in capital assets and is not available for future spending. The City's total net position decreased \$3,843,441 and the unrestricted net position is a deficit of \$2,191,364.
- At the close of the fiscal year ended September 30, 2013, the City's governmental funds reported combined ending fund balances of \$35,034,735, an increase of \$8,998,123 in comparison with the prior year. Approximately 26 percent of the combined ending fund balance, in the amount of \$8,942,763, is available for use within the City's policies (unassigned fund balance). The increase in total fund balance was primarily due to the receipt of bond proceeds from debt issued during the fiscal year.
- The unassigned fund balance for the general fund was \$8,942,763 or 20 percent of total general fund expenditures plus other financing sources and uses. This represents a \$312,933 increase from the prior fiscal year due to improved property and sales tax revenues.
- At the end of the current fiscal year, unrestricted fund balance (the total of the *assigned* and *unassigned* components of *fund balance*) for the general fund was \$11,953,924, or approximately 25 percent of total general fund expenditures.
- The City's long-term liabilities increased \$8,559,330 during the current fiscal year. New debt was issued to provide for radio system upgrades and a new aquatic facility.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements** - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

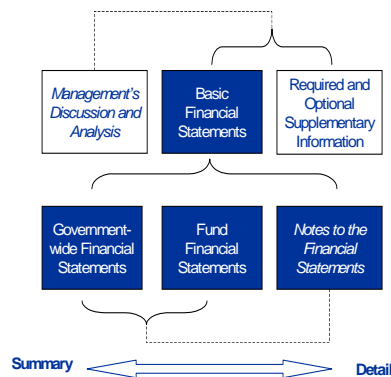
The statement of net position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and culture and recreation. The business-type activities of the City include water and sewer.

The government-wide financial statements can be found in Exhibit A of this report.

### Required Components of City of Farmers Branch's Annual Financial Report



## CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2013  
(Unaudited)

**Fund Financial Statements** - A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories - governmental funds and proprietary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City maintains 22 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, landfill closure/postclosure fund, Stars Center fund, and Aquatic Center bond fund which are considered to be major funds. Data from the other 18 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found in Exhibit B of this report.

**Proprietary Funds** - The City maintains two types of proprietary funds. The water and sewer fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the water and sewer fund to account for its water and sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its equipment services, workers' compensation, and health claims funds. Because these services predominantly benefit governmental rather than business-type functions they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The water and sewer fund is considered a major fund of the City. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found in Exhibit C of this report.

**Notes to Basic Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found in Exhibit D of this report.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found in Exhibit E of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found in Exhibit F through Exhibit H of this report.

## CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2013  
(Unaudited)

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's net position, the amount that assets and deferred outflows of resources exceeded liabilities, was \$142,775,391 at the close of the most recent fiscal year.

#### CONDENSED NET POSITION

	Governmental Activities		Business-Type Activities		Total - Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 42,289,515	\$ 33,678,326	\$ 15,105,835	\$ 16,275,004	\$ 57,395,350	\$ 49,953,330
Capital assets	120,857,056	122,827,726	40,742,572	40,874,322	161,599,628	163,702,048
Total assets	163,146,571	156,506,052	55,848,407	57,149,326	218,994,978	213,655,378
Total deferred outflows of resources	187,291	212,239			187,291	212,239
Noncurrent liabilities	63,392,070	54,780,684	300,357	352,413	63,692,427	55,133,097
Other liabilities	11,749,145	11,056,709	965,306	1,058,979	12,714,451	12,115,688
Total liabilities	75,141,215	65,837,393	1,265,663	1,411,392	76,406,878	67,248,785
Net position:						
Net investment in capital assets	100,736,048	101,949,868	40,637,368	40,608,870	141,373,416	142,558,738
Restricted	3,593,339	3,451,946			3,593,339	3,451,946
Unrestricted	(16,136,740)	(14,520,916)	13,945,376	15,129,064	(2,191,364)	608,148
Total net position	\$ 88,192,647	\$ 90,880,898	\$ 54,582,744	\$ 55,737,934	\$ 142,775,391	\$ 146,618,832

The largest portion of the City's combined net position (99%) reflects its investments in capital assets (e.g., land, buildings, equipment, intangible assets, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit (1%). This deficit does not mean the City does not have enough resources available to pay its bills next year.

The City actively manages its net position and has planned for the reduction and/or elimination of its unrestricted deficit net position in the following ways:

- 1) The City is planning to expand the current landfill and therefore to extend the closure period liability for 40 additional years which will reduce the \$8.9 million deficit net position for landfill closure/postclosure.
- 2) Another major portion of the City's unrestricted deficit net position is due to approximately \$7.2 million of accrued interest for developer advances. This amount may be reimbursed only from the Tax Increment Financing District No. 1 ("TIF No. 1") to the extent such funds are on deposit in the fund. Current revenue projections for this fund indicate total repayment of these advances will be unlikely. The TIF No. 1 expires December 31, 2019.
- 3) Options to reduce and eventually to eliminate the "other post employment benefits" (OPEB) deficit net position of approximately \$1.0 million are being implemented. This includes health insurance coverage options for retirees with no implicit subsidy for the City and terminating the City contribution for employees hired after December 31, 2006.

The unrestricted net position of the business-type activities is a positive balance of \$13,945,376; however, these resources cannot be used to make up a portion of the deficit in the governmental activities unrestricted net position. The City generally can only use this net position to finance continuing water and sewer operations.

**Analysis of the City's Operations** – During the current fiscal year, net position for governmental activities decreased \$2,688,251 from the prior fiscal year for an ending balance of \$88,192,647. This decrease is the result of depreciation on capital assets and increases in accrued interest for long-term debt. The net position of the business-type activities decreased \$1,155,190 from the prior fiscal year for an ending balance of \$54,582,744. The rates for water and sewer service were increased six percent for the upcoming fiscal year.

Current and other assets and noncurrent liabilities increased in the governmental activities due to the issuance of bonds and receipt of those bond proceeds to provide for radio system upgrades and a new aquatic facility.

# CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2013  
(Unaudited)

## CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total - Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 8,923,838	\$ 8,654,848	\$ 14,194,339	\$ 14,059,819	\$ 23,118,177	\$ 22,714,667
Operating grants and contributions	781,993	310,341			781,993	310,341
Capital grants and contributions	303,998	709,138			303,998	709,138
General revenues:						
Taxes:						
Property taxes, levied for general purposes	17,707,657	17,284,378			17,707,657	17,284,378
Property taxes, levied for debt service	1,284,446	1,506,258			1,284,446	1,506,258
Sales and use taxes	13,689,917	12,750,809			13,689,917	12,750,809
Hotel/motel taxes	2,253,459	1,932,530			2,253,459	1,932,530
Franchise taxes	4,420,712	4,185,655			4,420,712	4,185,655
Tax increment financing	797,278	1,005,642			797,278	1,005,642
Investment income	1,386,221	1,341,782	20,563	33,868	1,406,784	1,375,650
Miscellaneous	4,862	536,320			4,862	536,320
Total revenues	51,554,381	50,217,701	14,214,902	14,093,687	65,769,283	64,311,388
Expenses:						
General government	10,914,452	11,884,776			10,914,452	11,884,776
Public safety	22,772,965	21,414,818			22,772,965	21,414,818
Public works	8,875,224	8,509,565			8,875,224	8,509,565
Culture and recreation	12,739,313	12,866,193			12,739,313	12,866,193
Interest on long-term debt	1,887,714	1,775,374			1,887,714	1,775,374
Unallocated depreciation	126,464	605,266			126,464	605,266
Water and sewer			12,296,592	11,712,523	12,296,592	11,712,523
Total expenses	57,316,132	57,055,992	12,296,592	11,712,523	69,612,724	68,768,515
Increase (decrease) in net position before transfers	(5,761,751)	(6,838,291)	1,918,310	2,381,164	(3,843,441)	(4,457,127)
Transfers	3,073,500	3,388,500	(3,073,500)	(3,388,500)		
Increase (decrease) in net position	(2,688,251)	(3,449,791)	(1,155,190)	(1,007,336)	(3,843,441)	(4,457,127)
Net position--beginning	90,880,898	94,330,689	55,737,934	56,745,270	146,618,832	151,075,959
Net position--ending	\$ 88,192,647	\$ 90,880,898	\$ 54,582,744	\$ 55,737,934	\$ 142,775,391	\$ 146,618,832

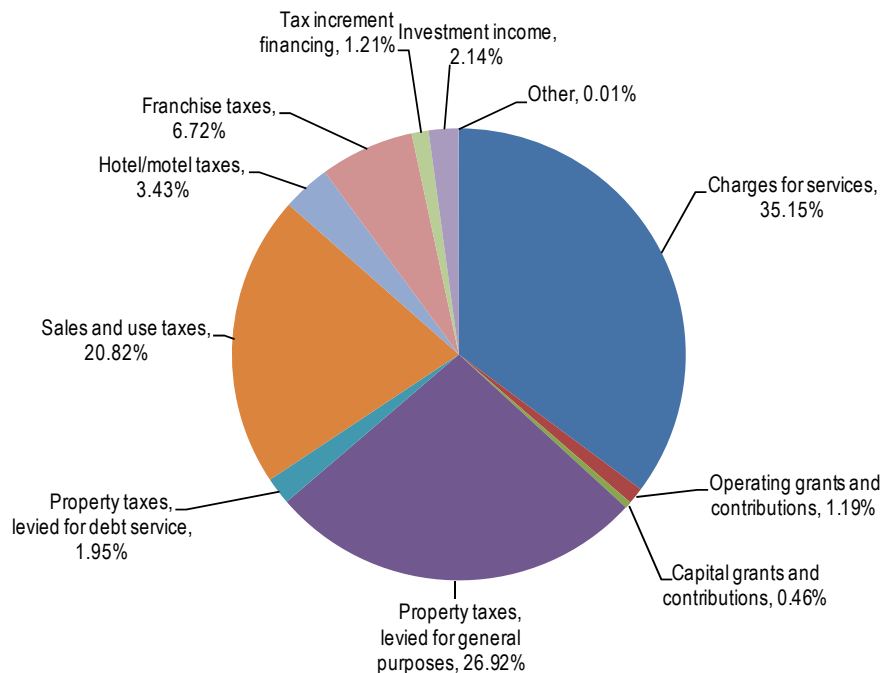
Total revenue of the governmental activities increased \$1,336,680. Most of the increase in governmental revenue was from sales and use taxes which increased about \$940,000. Franchise taxes increased by about \$235,000 due primarily to increased gas franchise revenue. Property tax revenue increased about \$200,000 due to higher valuations. The general government total expenses increased about \$260,000 due primarily to increased personnel and health care costs.

Total revenue of the business-type activities increased by about \$120,000. Charges for services in the business-type activities increased about \$135,000 due to a three percent increase in water rates. The water and sewer expenses increased by about \$585,000. The cost of sewage treatment was about \$465,000 higher than the prior year.

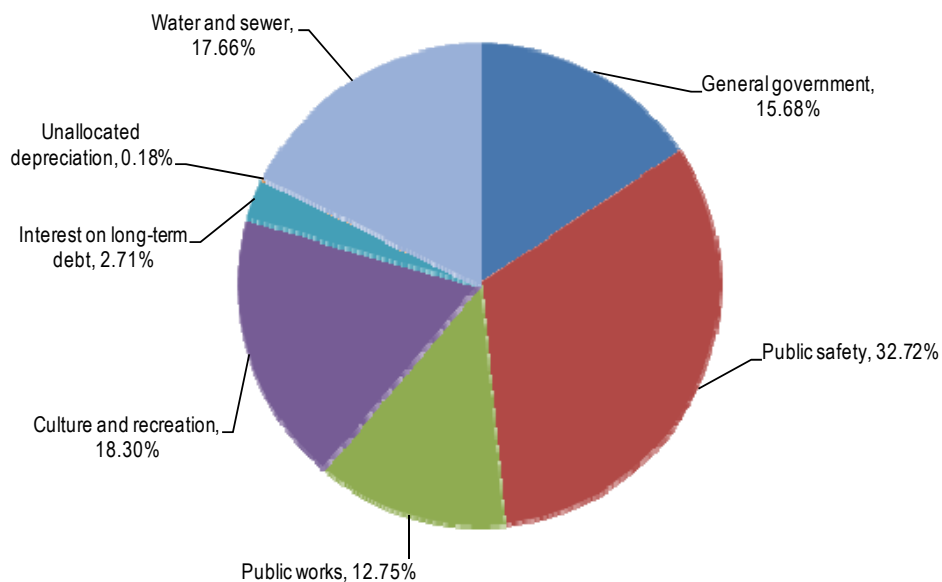
## CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2013  
(Unaudited)

### Total Sources of Revenue



### Total Expenses by Activity



## CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2013  
(Unaudited)

### *FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS*

**Governmental Funds** - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$35,034,735. Of this total, \$22,579,131 is restricted due to external limitations on its use, such as by debt covenants, legal restrictions, or intention of grantors, donors, or trustees. A total of \$59,579 is considered nonspendable because it has been used for inventory and prepaid items. A total of \$3,453,262 has been assigned meaning there are limitations resulting from its intended use, such as construction of capital assets, payment of debt service, and for other purposes. The remaining \$8,942,763 is unassigned and can be used for any lawful purpose.

The general fund is the main operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund is \$8,942,763, while total fund balance is \$12,007,878. As a measure of the general fund's liquidity, it may be useful to compare the unassigned general fund balance and total general fund balance to total general fund expenditures and other financing sources and uses. Unassigned general fund balance represents 20 percent of total general fund expenditures plus other financing sources and uses, while total fund balance represents 27 percent of that same amount.

The fund balance of the general fund increased \$408,052 during the fiscal year. Revenues were \$1,789,250 higher. Sales and use tax revenue increased about \$940,000 and property tax revenue increased about \$650,000 due to higher valuations, both reflecting an improving area economy. Expenditures were about \$390,000 higher than the prior year due partly to merit pay increases for employees and health care costs.

Landfill closure/postclosure fund balance decreased \$550,348 as expenditures for the gas collection system exceeded investment income. The Stars Center fund balance increased \$58,256 as rental revenue exceeded transfers for debt service. The Aquatic Center bond fund balance increased by \$6,571,735 as bond proceeds were received during the year while construction of the new aquatic facility will occur in future years.

**Proprietary Funds** - The City's water and sewer fund is the primary component of proprietary funds. The water and sewer fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position of the water and sewer fund was \$13,998,967 of which \$6,784,252 is intended for capital improvements. The internal service funds (the other component of proprietary funds) report activities that provide supplies and services for the City's various functions. The City uses internal service funds to account for equipment services and the City's workers' compensation and health insurance self-insurance programs. Because all of these services primarily benefit governmental rather than business-type activities, they have been included with governmental activities in the government-wide financial statements.

**General Fund Budgetary Highlights** - During the fiscal year ending September 30, 2013, the City Council adopted amendments to the budget. In the general fund, the final budgeted revenues increased \$340,100 compared to the original budgeted revenues. The budget for sales and use tax revenues increased \$550,000. Final total budgeted expenditures increased \$359,000 compared to the original budgeted expenditures. The final budget for public safety division expenditures increased \$652,900 due primarily to increased personnel and health care costs.

## CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2013  
(Unaudited)

### *CAPITAL ASSETS*

The City's investment in capital assets for its government-wide activities as of September 30, 2013, amounts to \$161,599,628 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, infrastructure, intangible assets, and construction in progress.

Major capital asset events during the current fiscal year included the following:

#### Completed Projects

- Wicker Pump Station rehabilitation for \$1,677,000.
- Street and utility improvements for \$957,000.
- Drainage improvements for \$855,000.
- Additions to the automated meter reading system of \$129,000.
- General Store at the Historical Park in amount of \$100,000.

#### Amounts Spent for Ongoing Projects

- Belt-Marsh Pump Station rehabilitation for \$450,000.
- New Aquatic Center for \$450,000.
- Wicker generator for \$380,000.
- Gillis tank painting for \$250,000.
- Radio system upgrades for \$190,000.

#### Capital Assets at Year-End Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total - Primary Government	
	2013	2012	2013	2012	2013	2012
Land	\$ 40,381,783	\$ 40,645,270	\$ 603,364	\$ 603,364	\$ 40,985,147	\$ 41,248,634
Buildings	36,341,185	37,416,652	2,530,785	2,771,198	38,871,970	40,187,850
Equipment	6,036,576	5,456,319	1,237,942	1,187,268	7,274,518	6,643,587
Improvements	4,085,390	4,515,706		773	4,085,390	4,516,479
Infrastructure	29,395,499	31,056,500	35,127,432	33,736,803	64,522,931	64,793,303
Intangible assets	149,439	87,952	32,262		181,701	87,952
Construction in progress	4,467,184	3,649,327	1,210,787	2,574,916	5,677,971	6,224,243
Total	<u>\$ 120,857,056</u>	<u>\$ 122,827,726</u>	<u>\$ 40,742,572</u>	<u>\$ 40,874,322</u>	<u>\$ 161,599,628</u>	<u>\$ 163,702,048</u>

Additional information on the City's capital assets can be found in the notes to basic financial statements (see Note 3.D).

### *DEBT ADMINISTRATION*

At the end of the current fiscal year, the City had a total bonded debt of \$29,815,281. Of this amount, \$23,002,208 comprises bonded debt backed by the full faith and credit of the government and \$6,813,073 comprises debt to be repaid from hotel/motel tax revenues and lease payments from the Dallas Stars and is backed by the full faith and credit of the government. The developer advances of \$7,468,887 represent a loan to the City for capital project costs payable only from Tax Increment Financing District No. 1 funds.

# CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2013  
(Unaudited)

## Outstanding Debt at Year-End

	Governmental Activities	
	2013	2012
General obligation bonds	\$ 23,002,208	\$ 13,595,160
Special revenue bonds	6,813,073	7,693,841
Developer advances	7,468,887	7,868,887
Total	<u>\$ 37,284,168</u>	<u>\$ 29,157,888</u>

The City maintains favorable ratings from bond rating agencies. The ratings are as follows:

	Moody's Investors Service	Date Confirmed	Standard & Poor's	Date Confirmed
General obligation bonds				
2009 Combination tax and revenue, taxable	n/a	n/a	AA+	April 10, 2013
2010 General obligation refunding and improvement	Aa2	April 8, 2013	AA+	April 10, 2013
2012 Certificates of obligation	Aa2	April 8, 2013	AA+	April 10, 2013
2013 Certificates of obligation	Aa2	April 8, 2013	AA+	April 10, 2013
Special revenue bonds				
2010 General obligation refunding and improvement	Aa2	April 8, 2013	AA+	April 10, 2013
2011 General obligation refunding bonds, taxable	Aa2	April 8, 2013	AA+	April 10, 2013

Additional information on the City's long term-debt can be found in the notes to basic financial statements (see Note 3.F).

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The fiscal year 2014 budget has been constructed to take advantage of positive economic trends. The budget emphasizes investment in infrastructure and equipment including completion of a digital public safety radio system, re-establishment of the residential street overlay program and residential solid waste drop-off center, sidewalk improvements, and new software.

The City's single largest source of revenue is property taxes and it represents 41 percent of total general fund budgeted revenue. Property values increased four percent to \$3.8 billion. Property tax rates increased to 55.31 cents per \$100 valuation from 52.95 cents per \$100 valuation. Sales tax revenue is the City's second largest source of revenue representing 30 percent of total general fund budgeted revenue. Sales tax revenue is projected to increase by four percent. The total general fund budgeted revenue was increased from the prior year by five percent or \$2,369,400. Budgeted general fund expenditures are expected to increase by four percent or \$2,019,200. This includes increases of about \$600,000 for health insurance, \$500,000 for the residential street overlay program, \$400,000 for merit/salary increases, \$300,000 for the Aquatic Center, and \$130,000 for the residential solid waste drop-off center (Citizen's Convenience Station).

Budgeted revenue for the water and sewer fund is sixteen percent higher than fiscal year 2013. This is due to an increase in water and sewer rates by six percent and higher expected consumption levels compared to 2013. Budgeted expenses for the water and sewer fund are projected to increase ten percent due to additional infrastructure spending of about \$500,000, increased water and wastewater treatment costs of about \$440,000, and added utility system maintenance crew of about \$200,000.

## REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Department, Attn: Director of Finance, at 13000 William Dodson Parkway, Farmers Branch, Texas 75234, or call (972) 247-3131, or e-mail [charles.cox@farmersbranchtx.gov](mailto:charles.cox@farmersbranchtx.gov).



STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash, cash equivalents, and investments	\$ 34,448,703	\$ 6,722,837	\$ 41,171,540
Receivables (net of allowance for uncollectibles)	6,202,233	2,441,418	8,643,651
Inventories	1,540,407		1,540,407
Deposits	23,000		23,000
Prepaid items	75,172	228,565	303,737
Equity interest in joint venture		5,713,015	5,713,015
Capital assets:			
Nondepreciable	44,848,967	1,814,151	46,663,118
Depreciable, net of accumulated depreciation	76,008,089	38,928,421	114,936,510
Total assets	163,146,571	55,848,407	218,994,978
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	187,291		187,291
Total deferred outflows of resources	187,291		187,291
<b>LIABILITIES</b>			
Accounts payable and other accrued liabilities	3,658,974	592,920	4,251,894
Retainage payable	16,562	70,464	87,026
Accrued interest payable	7,457,891		7,457,891
Deposits payable	630,792	248,331	879,123
Internal balances	(53,591)	53,591	
Unearned revenue	38,517		38,517
Noncurrent liabilities:			
Due within one year	3,489,779	46,337	3,536,116
Due in more than one year	59,902,291	254,020	60,156,311
Total liabilities	75,141,215	1,265,663	76,406,878
<b>NET POSITION</b>			
Net Investment in capital assets	100,736,048	40,637,368	141,373,416
Restricted for:			
Construction of capital assets	577,056		577,056
Promotion of tourism	770,255		770,255
Purposes of grantors/trustees	881,857		881,857
Debt service	494,047		494,047
Law enforcement	870,124		870,124
Unrestricted	(16,136,740)	13,945,376	(2,191,364)
Total net position	\$ 88,192,647	\$ 54,582,744	\$ 142,775,391

The accompanying notes are an integral part of the financial statements.

CITY OF FARMERS BRANCH, TEXAS

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating	Capital
		Services	Grants and	Grants and
			Contributions	Contributions
Primary government:				
Governmental activities:				
General government	\$ 10,914,452	\$ 1,241,536	\$ 409,380	\$
Public safety	22,772,965	4,283,496	19,176	
Public works	8,875,224	2,254,323	282,890	303,998
Culture and recreation	12,739,313	1,144,483	70,547	
Interest on long-term debt	1,887,714			
Unallocated depreciation	126,464			
Total governmental activities	<u>57,316,132</u>	<u>8,923,838</u>	<u>781,993</u>	<u>303,998</u>
Business-type activities:				
Water and sewer	12,249,982	14,194,339		
Total business-type activities	<u>12,249,982</u>	<u>14,194,339</u>		
Total primary government	<u>\$ 69,566,114</u>	<u>\$ 23,118,177</u>	<u>\$ 781,993</u>	<u>\$ 303,998</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Sales and use taxes				
Hotel/motel taxes				
Franchise taxes				
Tax increment financing				
Investment income				
Loss on disposal of capital assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position--beginning				
Net position--ending				

The accompanying notes are an integral part of the financial statements.

Exhibit A-2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (9,263,536)	\$	\$ (9,263,536)
(18,470,293)		(18,470,293)
(6,034,013)		(6,034,013)
(11,524,283)		(11,524,283)
(1,887,714)		(1,887,714)
(126,464)		(126,464)
(47,306,303)		(47,306,303)
	1,944,357	1,944,357
	1,944,357	1,944,357
\$ (47,306,303)	\$ 1,944,357	\$ (45,361,946)
17,707,657		17,707,657
1,284,446		1,284,446
13,689,917		13,689,917
2,253,459		2,253,459
4,420,712		4,420,712
797,278		797,278
1,386,221	20,563	1,406,784
	(46,610)	(46,610)
4,862		4,862
3,073,500	(3,073,500)	
44,618,052	(3,099,547)	41,518,505
(2,688,251)	(1,155,190)	(3,843,441)
90,880,898	55,737,934	146,618,832
\$ 88,192,647	\$ 54,582,744	\$ 142,775,391

BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013

	General	Landfill Closure/ Postclosure	Stars Center	Aquatic Center Bond	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash, cash equivalents, and investments	\$ 10,515,798	\$ 6,201,021	\$ 1,089,818	\$ 6,625,044	\$ 8,593,121	\$ 33,024,802
Receivables (net of allowance for uncollectibles)	5,403,436				643,912	6,047,348
Accrued interest and other	57,289	25,901	4,229	28,333	28,108	143,860
Due from other funds	52,500					52,500
Inventories	120,000				1,368,372	1,488,372
Prepaid items	53,954				688	54,642
Total assets	<u>\$ 16,202,977</u>	<u>\$ 6,226,922</u>	<u>\$ 1,094,047</u>	<u>\$ 6,653,377</u>	<u>\$ 10,634,201</u>	<u>\$ 40,811,524</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 2,732,842	\$ 55,904	\$	\$ 79,152	\$ 470,593	\$ 3,338,491
Retainage payable	3,732			2,490	10,340	16,562
Deposits payable	25,667		600,000		5,125	630,792
Due to other funds					52,500	52,500
Unearned revenue - other	8,562				29,955	38,517
Total liabilities	<u>2,770,803</u>	<u>55,904</u>	<u>600,000</u>	<u>81,642</u>	<u>568,513</u>	<u>4,076,862</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	1,424,296				275,631	1,699,927
Total deferred inflows of resources	<u>1,424,296</u>				<u>275,631</u>	<u>1,699,927</u>
<b>FUND BALANCES</b>						
Nonspendable:						
Inventory					4,937	4,937
Prepaid items	53,954				688	54,642
Restricted:						
Construction of capital assets				6,571,735	3,498,724	10,070,459
Landfill closure/postclosure		6,171,018				6,171,018
Dangerous structures abatement					3,326,996	3,326,996
Promotion of tourism					764,630	764,630
Purpose of grantors, trustees and donors					881,857	881,857
Debt service			494,047			494,047
Law enforcement					870,124	870,124
Assigned:						
Construction of capital assets					198,360	198,360
Other capital assets	593,582					593,582
Debt service					243,741	243,741
Economic development	1,988,897					1,988,897
Other purposes	428,682					428,682
Unassigned	8,942,763					8,942,763
Total fund balances	<u>12,007,878</u>	<u>6,171,018</u>	<u>494,047</u>	<u>6,571,735</u>	<u>9,790,057</u>	<u>35,034,735</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 16,202,977</u>	<u>\$ 6,226,922</u>	<u>\$ 1,094,047</u>	<u>\$ 6,653,377</u>	<u>\$ 10,634,201</u>	<u>\$ 40,811,524</u>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013

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Amounts reported for governmental activities in the statement of net position (page 11) are different because:

Total fund balances - governmental funds (page 14):	\$ 35,034,735
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (net of internal service fund capital assets of \$129,763).	120,727,293
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	1,699,927
Internal service funds are used by management to charge the cost of certain activities, such as fleet management and workers' compensation and medical self-insurance programs, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position (net of amount allocated to business-type activities of \$53,591).	183,354
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(69,452,662)
Net position of governmental activities	<u>\$ 88,192,647</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	General	Landfill Closure/ Postclosure	Stars Center	Aquatic Center Bond	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 17,886,740	\$	\$	\$	\$ 1,313,986	\$ 19,200,726
Sales and use taxes	13,689,917					13,689,917
Hotel/motel taxes					2,253,459	2,253,459
Franchise taxes	4,358,324				61,185	4,419,509
Tax increment financing					910,899	910,899
Licenses and permits	1,015,017					1,015,017
Charges for services	4,539,757					4,539,757
Fines and forfeitures	2,121,697				948,715	3,070,412
Special assessments					9,806	9,806
Investment income	600,333	18,717	663,056	20,475	39,445	1,342,026
Intergovernmental	111,456				458,247	569,703
Developer's contributions					100,000	100,000
Miscellaneous	85,025				455,317	540,342
Total revenues	44,408,266	18,717	663,056	20,475	6,551,059	51,661,573
EXPENDITURES						
Current:						
General government	10,538,652				559,705	11,098,357
Public safety	21,640,592				748,465	22,389,057
Public works	5,717,415	569,065				6,286,480
Culture and recreation	10,678,436				1,432,961	12,111,397
Debt service:						
Principal retirement					2,000,000	2,000,000
Interest and fiscal agent charges					752,555	752,555
Issuance costs				147,715	34,618	182,333
Capital outlay				449,780	1,413,127	1,862,907
Total expenditures	48,575,095	569,065		597,495	6,941,431	56,683,086
Deficiency of revenues over (under) expenditures	(4,166,829)	(550,348)	663,056	(577,020)	(390,372)	(5,021,513)
OTHER FINANCING SOURCES (USES)						
Transfers in	3,777,500				1,060,412	4,837,912
Transfers out			(604,800)		(1,159,612)	(1,764,412)
General obligation bonds issued				6,500,000	3,000,000	9,500,000
Premiums on debt issued				648,755		648,755
Sale of general capital assets	778,298					778,298
Insurance recoveries	19,083					19,083
Total other financing sources (uses)	4,574,881		(604,800)	7,148,755	2,900,800	14,019,636
Net change in fund balances	408,052	(550,348)	58,256	6,571,735	2,510,428	8,998,123
Fund balances--beginning	11,599,826	6,721,366	435,791		7,279,629	26,036,612
Fund balances--ending	\$ 12,007,878	\$ 6,171,018	\$ 494,047	\$ 6,571,735	\$ 9,790,057	\$ 35,034,735

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net change in fund balances - total governmental funds (page 16)	\$ 8,998,123
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays were less than depreciation expense in the current period.	(1,390,234)
The net effect of the various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.	(560,742)
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(343,831)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(8,148,755)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(1,091,850)
Internal service funds are used by management to charge the costs of fleet management, workers' compensation, and health claims, to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	(150,962)
Change in net position of governmental activities:	<u><u>\$ (2,688,251)</u></u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance with
	Original	Final	GAAP Basis	Budget Basis	Budget Basis	Final Budget
REVENUES						
Property taxes	\$ 18,100,000	\$ 17,900,000	\$ 17,886,740	\$	\$ 17,886,740	\$ (13,260)
Sales and use tax	12,995,000	13,545,000	13,689,917		13,689,917	144,917
Franchise taxes	4,508,000	4,450,000	4,358,324		4,358,324	(91,676)
Licenses and permits	1,015,000	1,019,000	1,015,017		1,015,017	(3,983)
Charges for services	4,653,300	4,643,000	4,539,757		4,539,757	(103,243)
Fines and forfeitures	2,157,000	2,057,000	2,121,697		2,121,697	64,697
Investment income	603,000	614,000	600,333		600,333	(13,667)
Intergovernmental		111,500	111,456		111,456	(44)
Miscellaneous	56,000	87,900	85,025		85,025	(2,875)
Total revenues	44,087,300	44,427,400	44,408,266		44,408,266	(19,134)
EXPENDITURES						
Current:						
General government	11,173,100	10,582,400	10,538,652	393,667	10,932,319	(349,919)
Public safety	20,729,200	21,382,100	21,640,592	(33,322)	21,607,270	(225,170)
Public works	5,858,300	6,040,000	5,717,415	160,621	5,878,036	161,964
Culture and recreation	10,729,800	10,844,900	10,678,436	(127,760)	10,550,676	294,224
Total expenditures	48,490,400	48,849,400	48,575,095	393,206	48,968,301	(118,901)
Deficiency of revenues under expenditures	(4,403,100)	(4,422,000)	(4,166,829)	(393,206)	(4,560,035)	(138,035)
OTHER FINANCING SOURCES						
Transfers in	4,160,500	3,777,500	3,777,500		3,777,500	
Sale of general capital assets	775,000	778,200	778,298		778,298	98
Insurance recoveries	21,500	21,500	19,083		19,083	(2,417)
Total other financing sources	4,957,000	4,577,200	4,574,881		4,574,881	(2,319)
Net change in fund balance	553,900	155,200	408,052	(393,206)	14,846	(140,354)
Fund balances--beginning	11,107,692	11,107,692	11,599,826	(492,134)	11,107,692	
Fund balances--ending	\$ 11,661,592	\$ 11,262,892	\$ 12,007,878	\$ (885,340)	\$ 11,122,538	\$ (140,354)
Explanation of differences:						
Expenditures of amounts encumbered at September 30, 2012					\$ 476,634	
Encumbrances outstanding at September 30, 2013 are considered an assignment of fund balance for GAAP basis reporting, but recognized as expenditures for budget purposes					(869,840)	
Net decrease in fund balance - GAAP to budget					\$ (393,206)	

The accompanying notes are an integral part of the financial statements.



STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - LANDFILL CLOSURE/POSTCLOSURE FUND  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Adjustments Budget Basis	Actual Amounts Budget Basis	Variance with Final Budget
	Original	Final				
REVENUES						
Investment income	\$ 100,000	\$ 28,000	\$ 18,717	\$	\$ 18,717	\$ (9,283)
Total revenues	100,000	28,000	18,717		18,717	(9,283)
EXPENDITURES						
Current:						
Public works	840,000	684,800	569,065	67,200	636,265	48,535
Total expenditures	840,000	684,800	569,065	67,200	636,265	48,535
Deficiency of revenues under expenditures	(740,000)	(656,800)	(550,348)	(67,200)	(617,548)	39,252
Fund balances--beginning	6,721,366	6,721,366	6,721,366		6,721,366	
Fund balances--ending	\$ 5,981,366	\$ 6,064,566	\$ 6,171,018	\$ (67,200)	\$ 6,103,818	\$ 39,252

## Explanation of differences:

Encumbrances outstanding at September 30, 2013 are considered an assignment of fund balance for GAAP basis reporting, but recognized as expenditures for budget purposes

	67,200
Net decrease in fund balance - GAAP to budget	\$ 67,200

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - STARS CENTER FUND  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Adjustments Budget Basis	Actual Amounts Budget Basis	Variance with Final Budget
	Original	Final				
REVENUES						
Investment income	\$ 663,000	\$ 663,000	\$ 663,056	\$	\$ 663,056	\$ 56
OTHER FINANCING USES						
Transfers out	(604,800)	(604,800)	(604,800)		(604,800)	
Net change in fund balances	58,200	58,200	58,256		58,256	56
Fund balances--beginning	435,791	435,791	435,791		435,791	
Fund balances--ending	<u>\$ 493,991</u>	<u>\$ 493,991</u>	<u>\$ 494,047</u>	<u>\$</u>	<u>\$ 494,047</u>	<u>\$ 56</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 SEPTEMBER 30, 2013

	Business-type Activities -- Water and Sewer Fund	Governmental Activities -- Internal Service Funds
<b>ASSETS</b>		
Current assets:		
Cash, cash equivalents, and investments	\$ 6,722,837	\$ 1,423,901
Receivables (net of allowance for uncollectibles)	2,412,963	11,025
Accrued interest and other	28,455	
Inventories		52,035
Prepaid items	228,565	20,530
Deposits		23,000
Total current assets	9,392,820	1,530,491
Noncurrent assets:		
Equity interest in joint venture	5,713,015	
Capital assets:		
Nondepreciable	1,814,151	8,170
Depreciable, net of accumulated depreciation	38,928,421	121,593
Total noncurrent assets	46,455,587	129,763
Total assets	55,848,407	1,660,254
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and other accrued liabilities	592,920	320,483
Compensated absences	46,337	23,614
Claims payable		746,672
Retainage payable	70,464	
Deposits payable	248,331	
Total current liabilities	958,052	1,090,769
Noncurrent liabilities:		
Compensated absences	176,360	59,128
Claims payable		360,377
Other post employment benefits obligation	77,660	20,217
Total noncurrent liabilities	254,020	439,722
Total liabilities	1,212,072	1,530,491
<b>NET POSITION</b>		
Net investment in capital assets	40,637,368	129,763
Unrestricted	13,998,967	
Total net position	\$ 54,636,335	\$ 129,763
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time	(53,591)	
Net position of business-type activities	\$ 54,582,744	

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Business-type Activities -- Water and Sewer Fund	Governmental Activities -- Internal Service Funds
Operating revenues		
Charges for services	\$ 14,190,778	\$ 2,381,023
Contributions and miscellaneous	3,561	5,014,564
Total operating revenues	14,194,339	7,395,587
Operating expenses		
Personal services	1,670,624	570,379
Materials and supplies	246,796	1,596,258
Maintenance and utilities	1,119,517	214,386
Purchase of water	4,476,816	
Sewage treatment	2,357,421	
Insurance claims and expenses		5,172,945
Depreciation	2,283,946	19,694
Total operating expenses	12,155,120	7,573,662
Operating income (loss)	2,039,219	(178,075)
Nonoperating revenues (expenses)		
Investment income	20,563	
Loss of the joint venture	(67,749)	
Loss on disposal of capital assets	(46,610)	
Total nonoperating expenses	(93,796)	
Income (loss) before transfers	1,945,423	(178,075)
Transfers out	(3,073,500)	
Change in net position	(1,128,077)	(178,075)
Net position--beginning	55,764,412	307,838
Net position--ending	\$ 54,636,335	\$ 129,763
Reconciliation to government-wide statement of net position:		
Change in net position	\$ (1,128,077)	
Adjustment to reflect the consolidation of internal service fund activities related to the water and sewer fund	(27,113)	
Change in net position of business-type activities	\$ (1,155,190)	

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Business-type Activities -- Water and Sewer Fund	Governmental Activities -- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 14,217,902	\$
Receipts from interfund services provided		7,447,890
Payments to suppliers	(8,216,950)	(1,797,209)
Payments to employees	(1,656,353)	(561,583)
Payments for loss claims		(4,679,496)
Payments for interfund services	(379,877)	
Net cash provided by operating activities	3,964,722	409,602
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(3,073,500)	
Net cash used for noncapital financing activities	(3,073,500)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,215,642)	
Proceeds from sale of capital assets	16,836	
Net cash used for capital and related financing activities	(2,198,806)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	955,031	
Investment income	42,800	
Net cash provided by investing activities	997,831	
Net increase (decrease) in cash and cash equivalents	(309,753)	409,602
Cash and cash equivalents - beginning of year	438,748	1,014,299
Cash and cash equivalents - end of year	\$ 128,995	\$ 1,423,901
Cash and cash equivalents - end of year	\$ 128,995	\$ 1,423,901
Investments	6,593,842	
Cash, cash equivalents, and investments - end of year	\$ 6,722,837	\$ 1,423,901
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Loss on disposal of assets	\$ (63,446)	
Loss of the joint venture	\$ (67,749)	

The accompanying notes are an integral part of the financial statements.

(continued)

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Business-type Activities -- Water and Sewer Fund	Governmental Activities -- Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 2,039,219	\$ (178,075)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	2,283,946	19,694
Change in assets and liabilities:		
(Increase) decrease in receivables	(25,309)	46,303
Decrease in inventory of materials and supplies		19,550
Decrease in deposits		6,000
Increase in prepaid items	(160,292)	(15,529)
Decrease in accounts payable	(142,603)	
Increase in accrued liabilities		142,885
Decrease in retainage payable	(27,055)	
Increase in claims payable		360,055
Increase in deposits payable	48,872	
Increase in OPEB liability	3,717	1,416
Increase (decrease) in accrued compensated absences	(55,773)	7,303
Net cash provided by operating activities	<u>\$ 3,964,722</u>	<u>\$ 409,602</u>

The accompanying notes are an integral part of the financial statements.

(concluded)

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Farmers Branch, Texas (the "City") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the City are described below.

A. Reporting Entity

The City is a municipal corporation governed by an elected mayor and a five-member council. The City was incorporated in 1946 under the Constitution of the State of Texas (Home Rule Amendment). As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. A component unit is included in the City's reporting entity if it is both fiscally dependent on the City (the primary government) and there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Because of the closeness of their relationship with the primary government (the City), some component units are blended as though they are part of the primary government. The City's blended component units and joint venture, which all have a September 30 year-end, are as follows:

Blended Component Units

The Taxing Increment Financing District Number One ("TIF No. 1 District") and Taxing Increment Financing District Number Two ("TIF No. 2 District") were created pursuant to the Texas Tax Increment Financing Act, Tax Code Chapter 311, as amended. The purpose of the TIF District No. 1 is to promote development in the Mercer Crossing area. The purpose of the TIF District No. 2 is to promote development in the Old Farmers Branch area. The Districts are reported as capital projects funds and are included as blended component units because the City has operational responsibility for them and manages their activities.

The Farmers Branch Local Government Corporation ("FBLGC") was organized for the purpose of aiding, assisting, and acting on behalf of the City in the exercise of its powers to accomplish any governmental purpose of the City and in the promotion of the common good and general welfare of the City including, without limitation, the furtherance of the promotion, development, encouragement, and maintenance of employment, commerce, economic development and public facility development in the City, and currently to develop oil, natural gas and other mineral interests on behalf of the City. The board members of the FBLGC are appointed by the City Council. The FBLGC is authorized to issue bonds, notes or other obligations after approval by the City Council. Complete financial statements of the FBLGC can be obtained from the City's finance department. The FBLGC has been included as a blended component unit because it is fiscally dependent (the City must approve any issuance of debt) and the purpose of the corporation is to provide a benefit to the City.

Joint Venture

The North Dallas County Water Supply Corporation ("NDCWSC") is a joint venture between the City and the Town of Addison (the "Town") to design, construct, operate, and maintain a joint sanitary sewer interceptor and conventional sewer lines. The NDCWSC, a public instrumentality and nonprofit water supply corporation, was created for that purpose. Upon dissolution of the NDCWSC, the City and Town will share the net position in the proportions stated in an inter-local agreement. The affairs of the NDCWSC are managed by a six-person board of directors appointed by the governing bodies of the City and the Town.

The City and the Town are each obligated to fund construction of the sanitary sewer interceptor in the proportions stated in the inter-local agreement. The City has financed its portion of construction funds through the issuance and sale of assessment revenue bonds and a transfer from previously issued sewer bonds. The City's net investment and its share of the operating results of the NDCWSC are reported in the City's water and sewer fund. The City's equity interest in the NDCWSC was \$5,713,015 at September 30, 2013. Complete financial statements for the NDCWSC can be obtained from the City's finance department.

B. Basis of Presentation

While separate government-wide financial statements (based on the City as a whole) and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds.

The fund financial statements provide information about the City's funds, including its blended component units. The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.



NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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The City reports the following major governmental funds:

The *general fund* is the primary operating fund of the City. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The *landfill closure/postclosure fund* is used to account for future landfill costs.

The *Stars Center fund* is used to account for Stars/Conference Center rental revenue and transfers to debt service for bond payments.

The *Aquatic Center bond fund* is used to design, construct, and equip a new aquatics facility.

The City reports the following major proprietary fund:

The *water and sewer fund* is used to account for water and sewer service operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided the periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The City reports the following internal service funds:

The *internal service funds* are used to account for equipment services and the City's workers' compensation and medical self-insurance programs for the departments of the City on a cost reimbursement basis.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

### C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus refers to the type of resources being measured such as current financial resources or economic resources. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as an other financing source.

Property, franchise, sales and hotel occupancy taxes, and investment income (including unrealized gains and losses) are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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considered to be measurable and available only when the government receives cash.

D. Budgetary Information

1) Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, landfill closure/postclosure fund, Stars Center fund, special revenue funds, and debt service fund. The capital projects funds are appropriated on a project-length basis and often span a period of more than one year.

The appropriated budget is prepared by fund, department, and function. The City Manager may transfer unencumbered appropriations within a department. City Council approval is necessary for transfers of unencumbered appropriations between departments and funds. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Special revenue funds are budgeted at the function level. Appropriations, except remaining project appropriations and encumbrances, lapse at the end of the fiscal year.

2) Excess of Expenditures over Appropriations

For the year ended September 30, 2013, expenditures in the general fund's finance division exceeded appropriations by \$512,178, the police division exceeded appropriations by \$227,031, and the community services division exceeded appropriations by \$1,208. These were all planned purchases of capital assets from fund balance and were approved by City Council.

In the nonmajor special revenue funds, the donation fund's general government division exceeded appropriations by \$16,412 for legal fees. There were sufficient donations to provide for the excess expenditure. Also, the grant fund's public safety division and culture and recreation division exceeded appropriations by \$2,236 and \$766, respectively. The grant revenue for each of these divisions was also higher by the same amounts.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1) Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2) Investments

Investments are recorded at fair value (based on quoted market prices), except for investments with maturity of one year or less from date of purchase, which are stated at amortized cost, and except for the position in TexPool. In accordance with state law, TexPool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

3) Receivables

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectible accounts. The property tax receivable allowance is equal to 5% of outstanding property taxes at September 30, 2013.

4) Inventories and Prepaid Items

Inventories are stated at the lower of average cost or market for the internal service funds and for the inventory of land held for resale in the general fund and special revenue funds. All other inventories in the special revenue funds are stated at average cost. Inventories are recorded as assets when purchased and charged to operations when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5) Capital Assets

Capital assets include land, buildings, equipment, improvements, infrastructure (e.g., roads, bridges, sidewalks, and similar items), and intangible assets (e.g., software, websites). Capital assets purchased, acquired or developed, are carried at historical cost or estimated historical cost if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The City defines capital assets as having a useful life longer than one year and an initial, individual cost which exceeds the capitalization threshold for their class. The

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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capitalization threshold for the infrastructure class is \$100,000. The capitalization threshold for all other asset classes is \$5,000. Other costs incurred for repairs and maintenance are expensed. Insurance recoveries of \$19,083 were received for the year ended September 30, 2013. They are included as an "other financing source" in the general fund.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated on the straight-line basis over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Buildings	30 - 50 years
Equipment	5 - 30 years
Improvements	20 years
Intangible assets-software/websites	5 years
Infrastructure	15 - 62.5 years

6) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunded debt results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental funds report unavailable revenues from the following sources:

	General	Nonmajor Governmental	
	Fund	Funds	Total
Property taxes	\$591,631	\$96,135	\$687,766
Ambulance	118,545		118,545
Franchise taxes - electric	662,499		662,499
Charges for services - culture and recreation	51,621		51,621
Special assessments		22,009	22,009
Tax increment financing		157,487	157,487
Total	<u>\$1,424,296</u>	<u>\$275,631</u>	<u>\$1,699,927</u>

7) Net Position Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to be reported as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

The net investment in capital assets for the business-type activities is reported net of related debt in the amount of \$105,204, which represents account and retainage payables for capital asset activity.

The governmental activities unrestricted net position is a deficit of \$16,136,740 at September 30, 2013. Please refer to page 5 of the MD&A for the City's plan to reduce and eventually eliminate this deficit.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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8) Fund Balance Policies and Flow Assumptions

Governmental fund's fund balances classified as restricted are balances constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution, which are considered equally restrictive for the purpose of committing fund balance. The City Council must take the same level of action to remove or change the constraint. Assigned fund balances are constrained by intent to use for a specific purpose but are neither restricted nor committed. Assignments are made by City management based on Council direction.

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

In the general fund, the City strives to maintain a target range of unassigned fund balance to be used for unanticipated emergencies with a low end of 15% and a high end of 20% of the actual GAAP basis expenditures and other financing sources and uses.

F. Revenues and Expenditures/Expenses

1) Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

2) Property Taxes

The City's property taxes are levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Assessed values are established at 100% of estimated market value. Property taxes attach as an enforceable lien on property as of January 1. Taxes are due by January 31 following the October 1 levy date and are considered delinquent after January 31 of each year.

3) Compensated Absences

The City's employees earn vacation leave (up to a maximum of 192 hours per year) based on days employed. Upon retirement or termination, payment of accumulated vacation may not exceed that which can be accumulated within two years for employees hired prior to January 1, 2011 and within one and a half years for employees hired on or after January 1, 2011. Unused sick leave, based on days employed, may be accumulated up to certain limits. Upon retirement or termination, employees hired before October 1, 1992 will be paid a maximum of 720 hours of sick pay for 40 hours per week employees or 1,080 hours for 56 hours per week employees. Upon retirement or termination, employees hired between October 1, 1992 and December 31, 2010 with five years or less of service will be paid a maximum of 120 hours of sick pay and with more than five years of service will be paid a maximum of 240 hours of sick pay. Employees hired on or after January 1, 2011 receive no payout for unused sick leave upon retirement or termination.

4) Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund and the government's internal service funds are charges to customers for sales and services. Operating expenses for water and sewer funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of the \$120,727,293 are as follows:

Land and rights of way	\$ 40,373,613
Construction in progress	4,467,184
Improvements	9,985,752
Less: Accumulated depreciation-improvements	(5,900,362)
Buildings	47,867,919
Less: Accumulated depreciation-buildings	(11,645,593)
Equipment	22,994,513
Less: Accumulated depreciation-equipment	(16,960,671)
Infrastructure	94,987,984
Less: Accumulated depreciation-infrastructure	(65,592,485)
Intangible assets	1,062,901
Less: Accumulated depreciation-intangible assets	(913,462)
Net adjustment to increase <i>fund balance - total government funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 120,727,293</u>

Another element of that reconciliation explains that “internal service funds are used by management to charge the costs of certain activities, such as fleet management and workers’ compensation and medical self-insurance programs, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.” The details of this \$183,354 difference are as follows:

Net position of the internal service funds	\$ 129,763
Less: Internal receivable representing charges below cost to business-type activities - prior years	26,478
Less: Internal receivable representing charges below cost to business-type activities - current year	27,113
Net adjustment to increase <i>fund balance - total government funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 183,354</u>

The final element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$69,452,662 difference are as follows:

Bonds payable	\$ 29,045,000
Less: Deferred charge on refunding (to be amortized as interest expense)	(187,291)
Add: Issuance premium (to be amortized over life of debt)	770,281
Developer advances	7,468,887
Accrued interest payable	7,457,891
Compensated absences	5,596,137
Net pension obligation	3,209,536
Net other postemployment benefits obligation	1,033,986
Landfill liability	15,058,235
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 69,452,662</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

**B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.” The details of this \$1,390,234 difference are as follows:

Capital outlay	\$ (3,599,364)
Depreciation expense	4,989,598
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 1,390,234</u>

Another element of that reconciliation states, “The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position.” The details of this \$560,742 difference are as follows:

In the statement of activities, only the <i>loss</i> on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.	\$ 604,937
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	(44,195)
Net adjustment to decrease <i>total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 560,742</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$8,148,755 difference are as follows:

Debt issued or incurred:	
General obligation refunding and improvement bonds issued	\$ 9,500,000
Plus premium	648,755
Principal repayments:	
General obligation debt	(745,000)
Special revenue debt	(855,000)
Developer advances	(400,000)
Net adjustment to decrease <i>total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 8,148,755</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$1,091,850 difference are as follows:

Compensated absences	\$ (87,044)
Net pension obligation	27,049
Net other post employment benefits obligation	47,960
Accrued interest on long-term debt	973,045
Amortization of bond premiums	(22,475)
Amortization of deferred charge on refunding	24,948
Landfill liability	128,367
Net adjustment to decrease <i>total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 1,091,850</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS  
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Another element of that reconciliation states that "internal service funds are used by management to charge the costs of fleet management, workers' compensation, and health claims, to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities." The details of this \$150,962 difference are as follows:

Change in net position of the internal service funds	\$ 178,075
Plus: gain from charges to business-type activities	(27,113)
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 150,962</u>

C. Explanation of Certain Differences Between the Proprietary Fund Statement of Net Position and the Government-Wide Statement of Net Position

The proprietary fund statement of net position includes reconciliation between *net position - total enterprise funds* and *net position of business-type activities* as reported in the government-wide statement of net position. The description of the only item of that reconciliation is "adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time." The details of the \$53,591 difference are as follows:

Internal payable representing charges below cost to business-type activities - prior years	\$ 26,478
Internal payable representing charges below cost to business-type activities - current year	27,113
Net adjustment to decrease <i>net position - total enterprise funds</i> to arrive at <i>changes in net position of business-type activities</i>	<u>\$ 53,591</u>

3. DETAILED NOTES ON ALL FUNDS

A. Cash Deposits with Financial Institutions

At year-end, the carrying amount of the City's deposits was \$2,284,670 and the bank balance was \$3,243,799. The bank balance was completely covered by federal depository insurance or by collateral held by the City's agent in the City's name. At year-end, the carrying amount of the Farmers Branch Local Government Corporation, blended component unit's bank balance was \$40,683. The bank balance was completely covered by federal depository insurance.

B. Investments

TexPool operates in accordance with state law, which requires that it meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. See note I.E.2, *Investments*, for a discussion of how the shares in the Pool are valued. TexPool has a credit rating of AAA from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. TexPool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

To maximize investment opportunities, all funds (excluding the debt service fund and the internal service funds) participate in a pooling of cash and investment income. Each fund may liquidate its equity in the pool on demand.

State statutes, City bond ordinances, and City resolutions authorize the City's investments. The City is authorized to invest in U.S. Government obligations and its agencies or instrumentalities, direct obligations of Texas and its agencies and instrumentalities, obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent rating, insured or collateralized certificates of deposit, fully collateralized repurchase agreements, and government pools.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

The City elects to exclude investments with maturity of one year or less from date of purchase from fair value reporting. These investments are reported at amortized cost. As of September 30, 2013, the City had the following investments:

Description	Reported Amount	Fair Value	Weighted Average Maturity (in days)
Municipal Obligations	\$ 2,809,178	\$ 2,809,182	367
TexPool	100,271	100,271	60
Certificates of Deposit Account Registry	11,905,000	11,905,000	214
Federal Farm Credit Bank Notes	1,498,717	1,498,717	176
Federal National Mortgage Association	6,947,302	6,947,302	151
Federal Home Loan Mortgage Corporation	10,836,141	10,836,429	209
Federal Home Loan Bank Notes	4,749,578	4,749,276	182
Total Investments	<u>\$ 38,846,187</u>	<u>\$ 38,846,177</u>	
Portfolio Weighted Average Maturity			206

*Interest Rate Risk.* In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to eighteen months (548 days).

*Credit Risk.* The City's investment policy is to apply the "prudent investor" standard: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The City's investments were rated as follows:

Credit Quality Distribution for Securities  
with Credit Exposure as a Percentage of Total Investments

Municipal Obligations	Aaa/AAA*	1%
TexPool	Aaa/AAA	0%
Federal Home Loan Mortgage Corporation	Aaa/AA	28%
Federal Home Loan Bank	Aaa/AA	12%
Federal National Mortgage Association	Aaa/AA	4%
Municipal Obligations	Aa/AA	4%
Federal National Mortgage Association	Aa/A	14%
Municipal Obligations	A/A	2%

*Concentration of Credit Risk.* The City places no limit on the amount the City may invest in any one issuer. However, the City's investment policy calls for portfolio diversification by avoiding over-concentration in a specific maturity sector or specific instruments. The City's portfolio is 30.65% invested in Certificates of Deposit Account Registry, 12.23% invested in Federal Home Loan Bank, and 7.23% invested in Municipal Obligations as of September 30, 2013. The remaining 49.89% of the City's investments is invested in U.S. government issues, U.S. guaranteed obligations, or an external investment pool.

C. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Nonmajor Governmental	Internal Service	Water and Sewer	Total
Receivables:					
Property tax	\$ 625,496	\$ 101,195	\$	\$	\$ 726,691
Other taxes	4,053,517	211,308			4,264,825
Accounts	2,253,209	156,972	11,025	917,527	3,338,733
Unbilled accounts				1,554,358	1,554,358
Assessments		193,015			193,015
Gross receivables	6,932,222	662,490	11,025	2,471,885	10,077,622
Less: Allowance for uncollectibles	(1,528,786)	(18,578)		(58,922)	(1,606,286)
Net total receivables	<u>\$5,403,436</u>	<u>\$ 643,912</u>	<u>\$ 11,025</u>	<u>\$ 2,412,963</u>	<u>\$ 8,471,336</u>



NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

D. Capital Assets

Capital asset activity for the year ended September 30, 2013 was as follows:

	Primary Government			
	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and rights of way	\$ 40,645,270	\$	\$ (263,487)	\$ 40,381,783
Construction in progress	3,649,327	974,311	(156,454)	4,467,184
Total capital assets, not being depreciated	44,294,597	974,311	(419,941)	44,848,967
Capital assets, being depreciated				
Improvements	9,984,308	12,390	(10,946)	9,985,752
Buildings	48,351,921	100,000	(211,200)	48,240,721
Equipment	23,232,919	2,268,537	(2,133,000)	23,368,456
Infrastructure	94,650,850	342,506	(5,372)	94,987,984
Intangible assets - software/websites	1,005,632	102,269	(45,000)	1,062,901
Total capital assets, being depreciated	177,225,630	2,825,702	(2,405,518)	177,645,814
Less accumulated depreciation for:				
Improvements	(5,468,602)	(432,368)	608	(5,900,362)
Buildings	(10,935,269)	(1,029,739)	65,472	(11,899,536)
Equipment	(17,776,600)	(1,511,896)	1,956,616	(17,331,880)
Infrastructure	(63,594,350)	(2,003,507)	5,372	(65,592,485)
Intangible assets - software/websites	(917,680)	(31,782)	36,000	(913,462)
Total accumulated depreciation	(98,692,501)	(5,009,292)	2,064,068	(101,637,725)
Total capital assets, being depreciated, net	78,533,129	(2,183,590)	(341,450)	76,008,089
Governmental activities capital assets, net	\$ 122,827,726	\$ (1,209,279)	\$ (761,391)	\$ 120,857,056
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land and rights of way	\$ 603,364	\$	\$	\$ 603,364
Construction in progress	2,574,916	1,042,077	(2,406,206)	1,210,787
Total capital assets, not being depreciated	3,178,280	1,042,077	(2,406,206)	1,814,151
Capital assets, being depreciated:				
Improvements	23,206			23,206
Buildings	9,116,269			9,116,269
Equipment	3,710,625	377,186	(192,978)	3,894,833
Infrastructure	76,708,960	3,169,210	(106,574)	79,771,596
Intangible assets - software/websites		33,375		33,375
Total capital assets, being depreciated	89,559,060	3,579,771	(299,552)	92,839,279
Less accumulated depreciation for:				
Improvements	(22,433)	(773)		(23,206)
Buildings	(6,345,071)	(240,413)		(6,585,484)
Equipment	(2,523,357)	(263,066)	129,532	(2,656,891)
Infrastructure	(42,972,157)	(1,778,581)	106,574	(44,644,164)
Intangible assets - software/websites		(1,113)		(1,113)
Total accumulated depreciation	(51,863,018)	(2,283,946)	236,106	(53,910,858)
Total capital assets, being depreciated, net	37,696,042	1,295,825	(63,446)	38,928,421
Business-type activities capital assets, net	\$ 40,874,322	\$ 2,337,902	\$ (2,469,652)	\$ 40,742,572

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

The preceding schedule includes internal service assets in the governmental activities. Internal service fund depreciation expense is allocated to the primary government based on each function's or program's usage of its services.

Depreciation expense (includes amortization expense of intangible assets) was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 228,363
Public safety	1,128,134
Public works, which includes the depreciation of general infrastructure assets	2,200,361
Culture and recreation	1,325,970
Unallocated	126,464
Total depreciation expense - governmental activities	<u>\$ 5,009,292</u>
Business-type activities:	
Water and sewer	\$ 2,283,946
Total depreciation expense business-type activities	<u>\$ 2,283,946</u>

Construction Commitments and Other Significant Commitments Including Encumbrances

The City has entered into several construction contracts during the fiscal year, which include street improvements, replacement of water mains, and the construction of municipal facilities. As of September 30, 2013, the City had outstanding construction contracts totaling \$3,343,836 that will be financed from operating funds. Other significant commitments include the encumbrances outstanding for the general fund and non-major funds other than capital projects as shown below.

	<u>Construction Commitments/ Encumbrances</u>
Aquatic Center bond fund	\$ 551,230
Water and sewer fund	169,675
Non-major capital projects funds	2,622,931
Total	<u>\$ 3,343,836</u>
	<u>Encumbrances</u>
General fund for capital assets	\$ 356,658
General fund for other purposes	428,682
General fund for economic development	100,000
Landfill closure/postclosure fund	67,200
Water and sewer fund for capital assets	246,764
Non-major funds other than capital projects	332,920
Total	<u>\$ 1,532,224</u>

E. Interfund Receivables, Payables, and Transfers

Interfund balances at September 30, 2013 consisted of the following:

Due to / from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund - Grant fund	\$ 52,500

Purpose of Due To / From Other Funds

Due to/from transactions are used for short-term interfund loans. The outstanding balance for the grant fund is the result of a time lag between the date the grant revenue was received and the date the qualifying grant expenditure was made.

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Government interfund transfers during the year ended September 30, 2013 were as follows:

TRANSFERS OUT	TRANSFERS IN		
	General Fund	Nonmajor Governmental Funds	Total
Nonmajor governmental funds	\$ 704,000	\$ 1,060,412	\$ 1,764,412
Water and sewer fund	3,073,500		3,073,500
Total	<u>\$ 3,777,500</u>	<u>\$ 1,060,412</u>	<u>\$ 4,837,912</u>

Eliminations

Interfund receivables, payables, and transfers are reported in the governmental and proprietary fund financial statements. In the entity-wide statements, interfund receivables, payables, and transfers are eliminated within the governmental activities column and business-type column, as appropriate.

Purpose of Transfers

Transfers are used to (1) move unrestricted revenues to finance various programs in accordance with budgetary authorizations, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) for the water and sewer fund to the general fund for a payment in lieu of taxes.

**F. Long-Term Liabilities**

General Obligation Bonds – The City of Farmers Branch issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the city. These bonds are generally issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 5 to 20 years. The city is required to compute, at the time taxes are levied, the rate of tax required to provide a fund to pay interest and principal at maturity. The city is in compliance with this requirement.

During the year, the City of Farmers Branch issued Combination Tax & Revenue Certificates of Obligation, Series 2012 in the amount of \$3,000,000 and Combination Tax & Revenue Certificates of Obligation, Series 2013 in the amount of \$7,148,755. The Series 2012 Certificates were issued for the purposes of police radio system improvements. The Series 2013 Certificates were issued to design, construct, and equip a new aquatic facility.

Special Revenue Bonds – The City of Farmers Branch issued special revenue bonds to provide funds for the acquisition and construction of a community ice-skating and conference facility including public parking areas. Special revenue bonds are payable from the hotel occupancy tax and lease payments from the Dallas Stars with any deficiency to be paid from lessee deposits and/or from ad valorem taxes.

Bonds payable at September 30, 2013 are comprised of the following individual issues:

	Sale Date	Original Borrowing	Interest Rates to Maturity (%)	Final Maturity	Outstanding Sept. 30, 2013
<b>Governmental Activities:</b>					
General Obligation Bonds:					
Certificates of obligation, taxable	2009	\$ 10,000,000	1.50 - 5.22	2024	\$ 7,805,000
General obligation refunding and improvement bonds	2010	5,605,561	2.00 - 4.00	2030	5,062,306
Certificates of obligation	2012	3,000,000	1.69	2023	3,000,000
Certificates of obligation	2013	7,148,755	2.50 - 4.50	2032	7,134,902
Total General Obligation Bonds		<u>25,754,316</u>			<u>23,002,208</u>
Special Revenue Bonds:					
General obligation refunding and improvement bonds	2010	\$ 1,697,394	2.00 - 4.00	2014	\$ 446,723
General obligation refunding bonds, taxable	2011	7,035,000	0.44 - 4.00	2025	6,366,350
Total Special Revenue Bonds		<u>8,732,394</u>			<u>6,813,073</u>
Total Governmental Activities		<u>\$ 34,486,710</u>			<u>\$ 29,815,281</u>

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Legal Debt Margin – The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt.

Calculation of Legal Debt Margin – September 30, 2013

Adjusted Tax Base Valuation	\$3,688,232,621
Constitutional Limit	2.5% of assessed valuation
Maximum Constitutional Revenue Available	\$92,205,815
Tax Rate to Achieve Maximum Tax Revenue	\$2.5000 per \$100 of valuation
Adopted Tax Rate for Fiscal Year 2012-13	\$0.5295 per \$100 of valuation
Available Unused Constitutional Maximum Tax Rate	\$1.9705 per \$100 of valuation

Developer Advances – In prior years, the City entered into a development agreement, whereby American Realty Trust, Inc., Income Opportunity Realty Investors, Inc., and Transcontinental Realty Investors, Inc. agreed to advance funds to the City for project construction costs in Tax Increment Financing District No. 1 ("TIF No. 1"). The funds advanced and interest payable may be reimbursed only from the TIF No. 1 fund to the extent such funds are on deposit in the fund. Interest accrues beginning from the date the funds are received by the City. The interest rate is the lower of six percent or the developer's actual cost of funds. This interest is calculated on a simple straight-line basis semiannually on the unpaid balance plus accrued interest to date.

Landfill Closure and Postclosure Costs – The City owns a sanitary landfill site located in the city of Lewisville, Texas. On October 1, 2008, the City renewed a previous ten-year contract with Allied Waste North America, Inc. ("Allied Waste") for the operation and management of the landfill. The current agreement continues until all permitted air space has been filled with waste material.

The landfill operates on a "cell" basis and state and federal laws require the City to close the landfill once its capacity is reached and to monitor and maintain the site for 30 subsequent years. The site capacity of 24.5 million cubic yards will be reached in approximately 23 years. The City recognizes a portion of the final closure and postclosure care liability in each operating period even though actual final payout will not occur until the landfill is completely closed.

The amount recognized as a liability is based on the landfill capacity used as of the balance sheet date. As of September 30, 2013, the City had incurred a liability of \$15,058,235, which represents the amount of costs estimated to date based on 75% of landfill capacity used to date. This amount includes a reduction of \$425,056 for closure related expenditures paid during fiscal year 2013. The remaining estimated liability for these costs is \$5,101,697, which will be recognized as the remaining capacity is used. Additionally, during the term of the agreement the City is required to maintain a special revenue fund for future landfill closure and postclosure costs and has restricted the fund balance of \$6,171,018 for these costs. The estimated cost of closure and postclosure care are subject to changes such as the effects of inflation, revision of laws, and other variables.

Changes in long-term liabilities - Changes in the City's long-term liabilities for the year ended September 30, 2013 are as follows:

	Balance at Beginning of Year	Increase	Decrease	Balance at End of Year	Due Within One Year
<u>Governmental activities</u>					
General obligation bonds	\$ 13,495,000	\$ 9,500,000	\$ (745,000)	\$ 22,250,000	\$ 1,265,000
Special revenue bonds	7,650,000		(855,000)	6,795,000	870,000
Premium	144,001	648,755	(22,475)	770,281	41,892
Total bonds payable	21,289,001	10,148,755	(1,622,475)	29,815,281	2,176,892
Developer advances	7,868,887		(400,000)	7,468,887	
Compensated absences	5,758,620	2,218,017	(2,297,758)	5,678,879	566,215
Net pension obligation	3,182,487	4,933,791	(4,906,742)	3,209,536	
Other post employment benefits obligation	1,004,827	938,071	(888,695)	1,054,203	
Claims	746,994	4,649,610	(4,289,555)	1,107,049	746,672
Landfill closure and postclosure care costs	14,929,868	553,423	(425,056)	15,058,235	
Governmental activities long-term debt	\$ 54,780,684	\$ 23,441,667	\$ (14,830,281)	\$ 63,392,070	\$ 3,489,779
<u>Business-type activities</u>					
Compensated absences	\$ 278,470	\$ 59,603	\$ (115,376)	\$ 222,697	\$ 46,337
Other post employment benefits obligation	73,943	70,608	(66,891)	77,660	
Business-type activities long-term debt	\$ 352,413	\$ 130,211	\$ (182,267)	\$ 300,357	\$ 46,337
Total	\$ 55,133,097	\$ 23,571,878	\$ (15,012,548)	\$ 63,692,427	\$ 3,536,116

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Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals for governmental activities. At year-end, internal service fund liabilities for claims payable of \$1,107,049, compensated absences of \$82,742, and other post employment benefits obligation (OPEB) of \$20,217 are included in the above amounts. Also, for the governmental activities, claims payable, compensated absences, OPEB and net pension obligation are generally liquidated by the general fund. The developer advances will be liquidated from the TIF No. 1 District capital projects fund. The landfill closure and postclosure care costs will be liquidated from the landfill closure/postclosure fund.

The debt service requirements for each bond type are as follows:

Governmental Activities:

Year Ending September 30	<u>General Obligation Bonds</u>			<u>Special Revenue Bonds</u>		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 1,303,816	\$ 811,873	\$ 2,115,689	\$ 873,076	\$ 181,206	\$1,054,282
2015	1,360,539	766,993	2,127,532	426,353	171,436	597,789
2016	1,405,539	722,516	2,128,055	436,353	165,171	601,524
2017	1,455,539	672,855	2,128,394	441,353	157,357	598,710
2018	1,505,539	618,035	2,123,574	451,353	147,937	599,290
2019-2023	8,492,695	2,134,844	10,627,539	2,481,765	538,761	3,020,526
2024-2028	4,537,695	766,860	5,304,555	1,702,820	102,846	1,805,666
2029-2033	2,940,846	193,188	3,134,034			
Total	\$ 23,002,208	\$ 6,687,164	\$ 29,689,372	\$ 6,813,073	\$ 1,464,714	\$ 8,277,787

G. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and, injuries to employees. A Schedule of Insurance Policies in Force showing the type of coverage, deductible, and liability limit is shown in Table 18 on page 100.

Workers' Compensation Insurance - The City has established the workers' compensation fund (an internal service fund) to account for workers' compensation uninsured risks of loss. Under this program, the workers' compensation fund provides coverage for up to a maximum of \$350,000 for each workers' compensation occurrence claim.

The costs associated with this self-insurance plan are funded by charges to the City's other funds. Liabilities include provisions for claims reported and claims incurred, but not reported. The provision for reported claims is computed by the City's third party administrator based upon standard actuarial principles. The provision for claims incurred, but not yet reported, is estimated based on the City's experience and an actuarial study that was performed during fiscal year 2013. State law provides that the City is relieved of liability if a notice of employee injury has not been received within 30 days of the date on which the injury occurs.

At September 30, 2013, the amount of workers' compensation liabilities was \$679,957. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability for unpaid claims includes allocated loss adjustment expenses (ALAE), which are primarily legal expenses. Changes in the balance of claims liability during the past two years are as follows:

<u>Fiscal Year</u>	<u>Beginning Fiscal Year Liability</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Changes in Estimates</u>	<u>Ending Fiscal Year Liability</u>
2011-2012	\$257,189	\$33,310	(\$119,986)	\$164,437	\$334,950
2012-2013	\$334,950	\$131,668	(\$256,130)	\$469,469	\$679,957

At September 30, 2013, workers' compensation fund cash and investments of \$712,333 were held for the purpose of funding future obligations. The City continues to carry commercial insurance for other risks of loss (except medical insurance as described in the following section). Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Group Medical Insurance - The health claims fund (an internal service fund) was established to account for the provision of group medical insurance coverage for employees and their dependents and eligible retirees and their dependents. The City's medical insurance program is a "self-insured" plan funded by both the City and participating employees and retirees. The City makes a predetermined contribution to the plan each month for a portion of medical group insurance coverage. This is done on a bi-monthly basis for qualifying City employees and their dependents and on a monthly basis for qualifying retirees and their dependents. Employees contribute through payroll deductions for

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the balance of their medical coverage. Retirees are billed on a monthly basis by the City for the balance of their medical coverage.

The City's medical insurance program is made up of two contracts, a specific stop loss contract and an aggregate stop loss contract. The specific stop loss contract has a specific deductible of \$100,000 per individual and an \$80,000 aggregating specific corridor with an unlimited lifetime maximum benefit on eligible expenses. The aggregate stop loss contract has a minimum attachment point of \$4,539,095. The attachment point may go up based on an increase in enrollment, but the minimum or lowest it will ever be is \$4,539,095. The aggregate contract will pay up to \$1,000,000 on total claims over the attachment point.

All claims are reviewed and processed by an independent insurance company. The insurance company pays claims based on the health plan and the City reimburses the insurance company for the amount of each claim paid. The insurance company charges the City a fee for this service.

At September 30, 2013, the amount of estimated claims payable was \$427,092. Changes in the reported liability since October 1, 2011 resulted from the following:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2011-2012	\$361,776	\$3,483,674	(\$3,433,406)	\$412,044
2012-2013	\$412,044	\$4,048,473	(\$4,033,425)	\$427,092

Accrued liabilities include provisions for claims reported and claims incurred but not reported. The provision for reported claims and for claims incurred but not yet reported is determined by an independent consultant.

1) Commitments and Contingencies

The City has several long-term agreements with significant commitments as follows:

- a. City of Dallas Water Purchase Agreement - The City purchases treated water from the City of Dallas under a 30-year contract negotiated in August 2010. The City makes payments to the City of Dallas at a rate of \$.3673 per 1,000 gallons plus \$208,941 per year for each million gallons per day rate of flow (maximum delivery rate). The City paid \$4,476,816 to the City of Dallas for the fiscal year ended September 30, 2013.
- b. Trinity River Authority (the "Authority") Sewage Disposal Agreement - On November 29, 1973, the City, along with other cities, entered into a 50-year contract with the Authority, whereby the Authority will provide and operate a regional wastewater treatment plant and wastewater conveyance facility constructed with the Authority's funds. In return, the cities agreed to pay for such services based on a usage formula that will provide reimbursements for operations, maintenance, and debt service payments to the Authority. The cities are jointly and severally responsible for the above payments. Each city's proportionate share is determined annually according to its contributing flow to the system. The City paid \$2,357,421 to the Authority for the fiscal year ended September 30, 2013.

The City is involved in various legal actions in which claims of varying amounts are being asserted against the City. The City follows the practice of providing for these claims when a loss is probable and a loss becomes fixed or determinable in amount. In the opinion of City management, these actions will not result in a significant impact of the City's financial position.

The City participates in several federal grant programs that are governed by various rules and regulations of the grantor agencies. Amounts received or receivable from grant agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, which may be disallowed by the grantor, cannot be determined at this time, although the City expects such amounts, if any, to be immaterial. For the year ended September 30, 2013, grant expenditures did not exceed the threshold for the single audit requirement; therefore, a single audit was not performed.

2) Postemployment Benefits Other Than Pensions

Plan Description - The City of Farmers Branch administers a single-employer defined contribution healthcare plan (the "Retiree Benefit Plan"). The plan contributes to postemployment healthcare benefits through the City's group health insurance plan, which covers both active and retired members (see funding policy below). Contributions are established through City policy as approved by City Council. The Retiree Benefit Plan does not issue a publicly available financial report.

The eligibility requirements are:

- Must be a current, full-time employee hired prior to January 1, 2007;
- Must have worked for the City for at least ten years, which do not need to be concurrent;
- Must meet the eligibility requirements of the Texas Municipal Retirement System (TMRS) and retire from the City; and,

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- Must be on the City's health plan at the time of retirement, and for dependents to be carried on the health plan, they must also be on the plan at that time.

**Funding Policy** - Contribution requirements are set by City policy as approved by City Council. The City contributes the cost of the "employee only" premium for the City's base plan, \$500 annually to a health savings account for those retirees selecting the high deductible health insurance plans, and the full premium for life insurance coverage of \$12,000. The eligible City retiree receives city paid coverage until age 65. In fiscal year 2013, the City contributed \$955,586 to the plan. Plan members receiving benefits contribute the additional cost above the "employee only" base medical premium and the full group premium for dental or vision plans selected. In fiscal year 2013, total member contributions were \$203,703.

**Annual OPEB Cost and Net OPEB Obligation** - The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The annual OPEB cost for the fiscal year ending September 30, 2013 is as follows:

Annual required contribution (ARC)	\$ 1,005,110
Interest on net OPEB obligation	48,545
Adjustment to the ARC	(44,976)
Annual OPEB cost	\$ 1,008,679
Contributions made	955,586
Increase in net OPEB obligation	\$ 53,093
Net OPEB obligation, beginning of year	1,078,770
Net OPEB obligation, end of year	\$ 1,131,863

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending September 30, 2013 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Obligation
2011	\$ 816,300	\$ 270,927	33%	\$1,024,602
2012	\$ 345,046	\$ 290,878	84%	\$1,078,770
2013	\$1,008,679	\$ 955,586	95%	\$1,131,863

**Funding Status** - The funded status of the City's retiree benefit plan under GASB Statement No. 45 as of December 31, 2012 is as follows:

Fiscal Year	Actuarial Valuation Date as of	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (d)	Ratio of UAAL to Annual Covered Payroll (b-a)/d
2013	12/31/2012	\$ 0	\$ 13,236,863	\$ 13,236,863	0.0%	\$ 15,812,192	83.7%

Under the reporting parameters, the City's retiree benefit plan is 0.0% funded with an estimated actuarial liability exceeding actuarial assets by \$13,236,863 at December 31, 2012. As of the most recent valuation, the ratio of unfunded actuarial accrued liability to annual covered payroll is 83.7%.

**Actuarial Methods and Assumptions** - The projected unit credit actuarial cost method is used to calculate the GASB ARC for the City's retiree benefit plan. Using the plan benefits, the present health premiums, and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

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Actuarial Methods and Assumptions

Inflation rate	3.00% per annum
Investment rate of return	4.50%, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	30-year, open amortization
Payroll growth	3.00% per annum
Healthcare cost trend rate	Initial rate of 7.50% declining to an ultimate rate of 4.50% after 8 years

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions to the City's retiree benefit plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

3) Employee Retirement System

Plan Description - The City provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 849 currently administered by TMRS, an agent multiple-employer public employee retirement system.

Upon retirement, benefits depend upon the sum of the employee's contributions to the plan, with interest, and the city-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At the date the plan began, the City granted monetary credits for service rendered before the plan began (or prior service credits) of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest (3% annual), prior to establishment of the plan. Monetary credits for service since the plan began (or current service credits) are 200% of the employee's accumulated contributions. Beginning in 1996 the City granted, on an annually repeating basis, another type of monetary credit referred to as an updated service credit. This monetary credit is determined by hypothetically computing the member's account balance by assuming that the current member deposit rate of 7% and City matching ratio of 2 to 1 has always been in effect. The computation also assumes that the member's salary has always been the member's average salary – using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by 3% each year, not the actual interest credited to member accounts in previous years, and increased by the 2 to 1 City match currently in effect. The resulting sum is then compared to the member's actual account balance increased by the actual City match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or updated service credit) equal to the difference between the hypothetical calculation and the actual calculation. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the city-financed monetary credits with interest were used to purchase an annuity. Additionally initiated in 1996, the City provides, on an annually repeating basis, increases for retirees equal to 70% of the change in the Consumer Price Index (CPI).

Members can retire at ages 60 and above with five or more years of service or with 25 years of service regardless of age. A member is vested after five years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

Funding Policy – The contribution rate for employees is 7% of employee gross earnings and the City matching ratio is 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined by the actuary annually, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. During the period from January 1, 2009 through September 30, 2011, the City of Farmers Branch elected to contribute a minimum amount equal to its annual required contribution (ARC) less a "phase in" of the increase from the change to the Projected Unit Credit cost method in the 2007 valuation. This caused the City to have an actual contribution less than the actuarially determined ARC, and therefore to accrue a net pension obligation on its balance sheet. In subsequent years, this net pension obligation will be amortized using the same amortization factor used to determine the ARC for a given year. The phase in period was due to last eight years from fiscal year 2009 through fiscal year 2016; however, changes in state law have



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allowed the City to begin paying the full rate starting with the beginning of fiscal year 2012 on October 1, 2011, thereby eliminating additional "phase in" rate steps.

The annual pension cost (APC) and net pension obligation (NPO) are as follows:

Annual required contribution (ARC)	\$ 4,906,741
Interest on net pension obligation (NPO)	222,774
Adjustment to the ARC	(195,725)
Annual pension cost (APC)	\$ 4,933,790
Contributions made	4,906,741
Increase in net pension obligation	\$ 27,049
Net pension obligation, beginning of year	3,182,487
Net pension obligation, end of year	\$ 3,209,536

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information, for which three years is required, is presented as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation (NPO)
2011	\$ 5,893,164	\$ 4,877,054	83%	\$ 3,151,514
2012	4,794,527	4,763,554	100%	3,182,487
2013	4,933,790	4,906,741	100%	3,209,536

Funded Status and Funding Progress – The funded status as of December 31, 2012, the most recent actuarial date, is presented as follows:

Fiscal Year	Actuarial Valuation Date as of	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (d)	Ratio of UAAL to Annual Covered Payroll (b-a)/d
2013	12/31/2012	\$176,561,067	\$ 204,295,430	\$ 27,734,363	86.4%	\$ 24,893,319	111.4%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements in Exhibit E-1, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions - Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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The annual required contribution (ARC) for the plan was determined as part of the December 31, 2012 actuarial valuation using the following methods and assumptions:

Actuarial Assumptions 2013		
Actuarial Cost Method	-	Projected Unit Credit
Amortization Method	-	Level Percent of Payroll
Remaining Amortization Per	-	25.3 Years - Closed Period
Amortization Period for New		
Gains/Losses	-	30 years
Asset Valuation Method	-	10-year Smoothed Market
Investment Rate of Return	-	7.0%
Projected Salary Increases	-	Varies by age and service
Includes Inflation At	-	3.0%
Cost-of-Living Adjustments	-	2.1% (3.0% CPI)

Plan Information - The City of Farmers Branch is one of 849 municipalities having the benefit administered by TMRS. Each of these municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2012 valuations are contained in the 2012 TMRS Comprehensive Annual Financial Report that includes the financial statements and required supplementary information (RSI) for TMRS. The report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.TMRS.org](http://www.TMRS.org).

On October 9, 2013, subsequent to the City's year end, the TMRS Board adopted two significant changes that will affect future actuarial values:

- (a) Update to the mortality table used to determine the annuity purchase rate – The change in mortality tables was necessary to reflect the increasing life expectancy of plan members and retirees. Effective January 1, 2015, this change will affect future retirees only and will be phased in over thirteen years.
- (b) Change from the Projected Unit Credit to the Entry Age Normal actuarial method – Entry Age Normal (EAN) is the most widely used actuarial method by public sector pension plans and will be required by GAAP beginning in fiscal year 2015 for determination of the Net Pension Liability for financial reporting purposes. Changing to the EAN for funding purposes enables TMRS to more closely coordinate with the financial reporting requirements.

Both changes will be reflected in the December 31, 2013 valuation. Adoption of the updated mortality tables for determining the annuity purchase rate will slow the growth of the annuities of future retirees resulting in a reduction of the accrued actuarial liability. Adoption of EAN will produce higher accrued actuarial liabilities. While the combined impact of these two changes will partially offset, the City is expecting an overall reduction in funded status for the December 2013 actuarial valuation.

#### 4) Accounting Standards

The GASB has issued the following Statement which will become effective in future years as shown below:

Statement No. 68, *"Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27."* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement will become effective for the City in fiscal year 2015. Although expected to be significant, management has not yet determined the specific impact of this Statement on the financial statements.

Statement No. 69, *"Government Combinations and Disposals of Government Operations"* will be effective September 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 70, *"Accounting and Financial Reporting for Nonexchange Financial Guarantees"* will be effective September 30, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Management has not yet determined the impact of this Statement on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION  
 SEPTEMBER 30, 2013  
 (UNAUDITED)

Texas Municipal Retirement System Schedule of Funding Progress  
 Last Three Fiscal Years

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
2011	12/31/2010	\$ 158,506,492	\$ 190,757,068	\$ 32,250,576	83.1%	\$ 27,316,388	118.1%
2012	12/31/2011	167,716,459	198,231,012	30,514,553	84.6%	25,307,120	120.6%
2013	12/31/2012	176,561,067	204,295,430	27,734,363	86.4%	24,893,319	111.4%

Retiree Benefit Plan Schedule of Funding Progress  
 Last Three Fiscal Years

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll*	UAAL as a Percentage of Covered Payroll
2011	10/1/2010	\$ 0	\$ 4,530,192	\$ 4,530,192	0.0%	\$ 17,678,134	25.6%
2012	10/1/2011	0	4,754,942	4,754,942	0.0%	17,587,927	27.0%
2013	12/31/2012	0	13,236,863	13,236,863	0.0%	15,812,192	83.7%

\* The annual covered payroll for the Retiree Benefit Plan includes only full time employees hired prior to January 1, 2007.

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## OTHER SUPPLEMENTARY INFORMATION

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## COMBINING FINANCIAL STATEMENTS

### NON-MAJOR GOVERNMENTAL FUNDS

#### SPECIAL REVENUE FUNDS

The Special Revenue Funds are used by the City to account for the accumulation and disbursement of restricted resources. The following is a description of the City's Special Revenue Funds:

Hotel/Motel - to account for receipt and allocation of the City's hotel/motel occupancy tax. Use of this tax is limited by law to the promotion of tourism. The City hotel occupancy tax rate for its twelve hotels is 7%.

Police Forfeitures - to account for proceeds from the sale of assets seized in connection with drug arrests. Revenues are restricted to law enforcement expenditures.

Donations - to account for voluntary contributions for community improvement.

Cemetery - to account for grounds maintenance of Keenan Cemetery.

Youth Scholarship - to account for voluntary contributions for youth scholarship.

Grants - to account for grant revenues and expenditures.

Municipal Court Fees - to account for the municipal court building security fee dedicated to courthouse security and the municipal court technology fee for the purchase of technological enhancements.

PEG Access Channel - to account for Public, Educational, Governmental (PEG) access channel capital support. Funding source is 1% of cable franchisees' gross revenue.

Farmers Branch Local Government Corporation - to account for activities to further the promotion, development, encouragement, and maintenance of employment, commerce, economic development and public facility development in Farmers Branch, and currently to develop oil, natural gas and other mineral interests on behalf of the City.

Dangerous Structures Bond Fund - to account for the costs related to the acquisition and demolition of dangerous structures (the Project) located within the City and the payment of professional services in connection with the Project. Funded by certificate of obligation proceeds.

#### DEBT SERVICE FUND

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, governmental long-term debt principal and interest. The governmental long-term debt serviced by the Debt Service Fund consists of general obligation bonds and special revenue bonds.

#### CAPITAL PROJECTS FUNDS

The Capital Projects Funds account for all resources used for the acquisition and/or construction of major capital facilities by the City, except those financed by the Enterprise Fund. The following is a description of the City's Capital Projects Funds:

Non-Bond Capital Projects Fund - to account for the acquisition and construction of major capital facilities.

DART Fund - to account for the construction and financing of transit related improvements funded by the Dallas Area Rapid Transit Local Assistance Program.

Hotel/Motel Fund - to account for the construction and financing of historical park improvements, funded by hotel/motel tax revenues.

Fire Station Bond Fund - to design, construct, equip and furnish fire fighting and fire station facilities, in order to accomplish the relocation of Fire Station No. 1 and the Emergency Operations Center, including the acquisition of land for this purpose.

Radio System Bond Fund - to account for public radio system upgrades and improvements.

TIF No. 1 District Fund - to account for infrastructure construction in the Mercer Crossing tax increment financing district and is funded from developer contributions, developer advances, and property tax payments.

TIF No. 2 District Fund - to account for infrastructure construction in the Old Farmers Branch tax increment financing district and is funded from developer contributions, developer advances, and property tax payments.

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COMBINING BALANCE SHEET - SUMMARY  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2013

	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash, cash equivalents, and investments	\$ 4,584,521	\$ 243,741	\$ 3,764,859	\$ 8,593,121
Receivables (net of allowance for uncollectibles)	343,280	96,135	204,497	643,912
Accrued interest and other	12,850		15,258	28,108
Inventories	1,368,372			1,368,372
Prepaid items	688			688
Total assets	<u>\$ 6,309,711</u>	<u>\$ 339,876</u>	<u>\$ 3,984,614</u>	<u>\$ 10,634,201</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 372,899	\$	\$ 97,694	\$ 470,593
Retainage payable			10,340	10,340
Deposits payable	5,125			5,125
Due to other funds	52,500			52,500
Unearned revenue - other	29,955			29,955
Total liabilities	<u>460,479</u>		<u>108,034</u>	<u>568,513</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue		96,135	179,496	275,631
Total deferred inflows of resources		<u>96,135</u>	<u>179,496</u>	<u>275,631</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventory	4,937			4,937
Prepaid items	688			688
Restricted for:				
Construction of capital assets			3,498,724	3,498,724
Dangerous structures abatement	3,326,996			3,326,996
Promotion of tourism	764,630			764,630
Purpose of grantors, trustees and donors	881,857			881,857
Law enforcement	870,124			870,124
Assigned to:				
Construction of capital assets			198,360	198,360
Debt service		243,741		243,741
Total fund balances	<u>5,849,232</u>	<u>243,741</u>	<u>3,697,084</u>	<u>9,790,057</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 6,309,711</u>	<u>\$ 339,876</u>	<u>\$ 3,984,614</u>	<u>\$ 10,634,201</u>

## CITY OF FARMERS BRANCH, TEXAS

## COMBINING BALANCE SHEET

## NONMAJOR GOVERNMENTAL FUNDS - NONMAJOR SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2013

	Nonmajor Special Revenue Funds					
	Hotel/ Motel	Police Forfeitures	Donations	Cemetery	Youth Scholarship	Grants
<b>ASSETS</b>						
Cash, cash equivalents, and investments	\$ 655,374	\$ 247,535	\$ 713,820	\$ 68,772	\$ 20,277	\$ 36
Receivables (net of allowance for uncollectibles)	199,493	1,401	865		1,500	57,389
Accrued interest and other	2,076	908	518	315	90	
Inventories	4,937					
Prepaid items	688					
Total assets	<u>\$ 862,568</u>	<u>\$ 249,844</u>	<u>\$ 715,203</u>	<u>\$ 69,087</u>	<u>\$ 21,867</u>	<u>\$ 57,425</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 87,188	\$ 1,924	\$ 9,181	\$ 408		
Deposits payable	5,125					
Due to other funds						52,500
Unearned revenue - other		25,030				4,925
Total liabilities	<u>92,313</u>	<u>26,954</u>	<u>9,181</u>	<u>408</u>		<u>57,425</u>
<b>FUND BALANCES</b>						
Nonspendable:						
Inventory	4,937					
Prepaid items	688					
Restricted for:						
Dangerous structures abatement						
Promotion of tourism	764,630					
Purpose of grantors, trustees, and donors			706,022	68,679	21,867	
Law enforcement		222,890				
Total fund balances	<u>770,255</u>	<u>222,890</u>	<u>706,022</u>	<u>68,679</u>	<u>21,867</u>	
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 862,568</u>	<u>\$ 249,844</u>	<u>\$ 715,203</u>	<u>\$ 69,087</u>	<u>\$ 21,867</u>	<u>\$ 57,425</u>

Nonmajor Special Revenue Funds				Total
Municipal Court Fees	PEG Access Channel	Farmers Branch Local Gov't Corporation	Dangerous Structures Bond	Nonmajor Special Revenue Funds
\$ 837,569	\$ 42,824	\$ 40,683	\$ 1,957,631	\$ 4,584,521
68,017	14,615			343,280
1,580	233		7,130	12,850
			1,363,435	1,368,372
				688
<u>\$ 907,166</u>	<u>\$ 57,672</u>	<u>\$ 40,683</u>	<u>\$ 3,328,196</u>	<u>\$ 6,309,711</u>
\$ 259,932	\$ 13,066	\$	\$ 1,200	\$ 372,899
				5,125
				52,500
				29,955
<u>259,932</u>	<u>13,066</u>		<u>1,200</u>	<u>460,479</u>
				4,937
				688
			3,326,996	3,326,996
				764,630
	44,606	40,683		881,857
<u>647,234</u>				<u>870,124</u>
<u>647,234</u>	<u>44,606</u>	<u>40,683</u>	<u>3,326,996</u>	<u>5,849,232</u>
<u>\$ 907,166</u>	<u>\$ 57,672</u>	<u>\$ 40,683</u>	<u>\$ 3,328,196</u>	<u>\$ 6,309,711</u>

## COMBINING BALANCE SHEET

## NONMAJOR GOVERNMENTAL FUNDS - NONMAJOR CAPITAL PROJECTS FUNDS

SEPTEMBER 30, 2013

	Nonmajor Capital Projects Funds						Total
			Hotel/ Motel	Radio System Bond	TIF No. 1 District	TIF No. 2 District	Nonmajor Capital Projects Funds
	Non-Bond	DART					
ASSETS							
Cash, cash equivalents, and investments	\$ 200,773	\$ 591,075	\$ 8,364	\$ 2,777,057	\$ 69,427	\$ 118,163	\$ 3,764,859
Receivables (net of allowance for uncollectibles)	47,010				151,721	5,766	204,497
Accrued interest and other	882	2,291	135	10,962	647	341	15,258
Total assets	<u>\$ 248,665</u>	<u>\$ 593,366</u>	<u>\$ 8,499</u>	<u>\$ 2,788,019</u>	<u>\$ 221,795</u>	<u>\$ 124,270</u>	<u>\$ 3,984,614</u>
LIABILITIES							
Accounts payable	\$ 17,956	\$ 73,303	\$	\$ 6,435	\$	\$	\$ 97,694
Retainage payable	10,340						10,340
Total liabilities	<u>28,296</u>	<u>73,303</u>		<u>6,435</u>			<u>108,034</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	22,009				151,721	5,766	179,496
Total deferred inflows of resources	<u>22,009</u>				<u>151,721</u>	<u>5,766</u>	<u>179,496</u>
FUND BALANCES							
Restricted for:							
Construction of capital assets		520,063	8,499	2,781,584	70,074	118,504	3,498,724
Assigned to:							
Construction of capital assets	198,360						198,360
Total fund balances	<u>198,360</u>	<u>520,063</u>	<u>8,499</u>	<u>2,781,584</u>	<u>70,074</u>	<u>118,504</u>	<u>3,697,084</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 248,665</u>	<u>\$ 593,366</u>	<u>\$ 8,499</u>	<u>\$ 2,788,019</u>	<u>\$ 221,795</u>	<u>\$ 124,270</u>	<u>\$ 3,984,614</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - SUMMARY  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Property taxes	\$	\$ 1,313,986	\$	\$ 1,313,986
Hotel/motel taxes	2,253,459			2,253,459
Franchise taxes	61,185			61,185
Tax increment financing			910,899	910,899
Special assessments			9,806	9,806
Fines and forfeitures	948,715			948,715
Investment income	27,500		11,945	39,445
Intergovernmental	82,815		375,432	458,247
Developer's contributions			100,000	100,000
Miscellaneous	455,317			455,317
Total revenues	3,828,991	1,313,986	1,408,082	6,551,059
EXPENDITURES				
Current:				
General government	559,705			559,705
Public safety	748,465			748,465
Culture and recreation	1,432,961			1,432,961
Debt service:				
Principal retirement		1,600,000	400,000	2,000,000
Interest and fiscal agent charges		752,555		752,555
Issuance costs			34,618	34,618
Capital outlay			1,413,127	1,413,127
Total expenditures	2,741,131	2,352,555	1,847,745	6,941,431
Excess (deficiency) of revenues over (under) expenditures	1,087,860	(1,038,569)	(439,663)	(390,372)
OTHER FINANCING SOURCES (USES)				
Transfers in		1,060,412		1,060,412
Transfers out	(1,154,500)		(5,112)	(1,159,612)
General obligation bonds issued			3,000,000	3,000,000
Total other financing sources (uses)	(1,154,500)	1,060,412	2,994,888	2,900,800
Net change in fund balances	(66,640)	21,843	2,555,225	2,510,428
Fund balances--beginning	5,915,872	221,898	1,141,859	7,279,629
Fund balances--ending	\$ 5,849,232	\$ 243,741	\$ 3,697,084	\$ 9,790,057

CITY OF FARMERS BRANCH, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS - NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Nonmajor Special Revenue Funds					
	Hotel/ Motel	Police Forfeitures	Donations	Cemetery	Youth Scholarship	Grants
REVENUES						
Hotel/motel taxes	\$ 2,253,459	\$	\$	\$	\$	\$
Franchise taxes						
Fines and forfeitures		105,797				
Investment income	19,716	655	374	227	65	
Intergovernmental						82,815
Miscellaneous	31,619		420,923	1,275	1,500	
Total revenues	2,304,794	106,452	421,297	1,502	1,565	82,815
EXPENDITURES						
General government			38,912			
Public safety		77,108	788			18,676
Culture and recreation	1,327,202		9,762	24,918	6,940	64,139
Total expenditures	1,327,202	77,108	49,462	24,918	6,940	82,815
Excess (deficiency) of revenues over (under) expenditures	977,592	29,344	371,835	(23,416)	(5,375)	
OTHER FINANCING USES						
Transfers out	(824,500)					
Total other financing uses	(824,500)					
Net change in fund balances	153,092	29,344	371,835	(23,416)	(5,375)	
Fund balances--beginning	617,163	193,546	334,187	92,095	27,242	
Fund balances--ending	\$ 770,255	\$ 222,890	\$ 706,022	\$ 68,679	\$ 21,867	\$

Nonmajor Special Revenue Funds				Total
Municipal Court Fees	PEG Access Channel	Farmers Branch Local Gov't Corporation	Dangerous Structures Bond	Nonmajor Special Revenue Funds
\$	\$	\$	\$	\$ 2,253,459
	61,185			61,185
842,918				948,715
1,142	168		5,153	27,500
				82,815
				455,317
844,060	61,353		5,153	3,828,991
251,448	97,236		172,109	559,705
651,893				748,465
				1,432,961
903,341	97,236		172,109	2,741,131
(59,281)	(35,883)		(166,956)	1,087,860
			(330,000)	(1,154,500)
			(330,000)	(1,154,500)
(59,281)	(35,883)		(496,956)	(66,640)
706,515	80,489	40,683	3,823,952	5,915,872
\$ 647,234	\$ 44,606	\$ 40,683	\$ 3,326,996	\$ 5,849,232

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS - NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Nonmajor Capital Projects Funds						Total
	Non-Bond	DART	Hotel/ Motel	Fire Station Bond	Radio System Bond	TIF No. 1 District	Nonmajor Capital Projects Funds
REVENUES							
Tax increment financing	\$	\$	\$	\$	\$	\$ 827,859	\$ 910,899
Special assessments	9,806						9,806
Investment income	658	1,656	98	898	7,921	467	11,945
Intergovernmental	257,759	117,673					375,432
Developer's contributions	100,000						100,000
Total revenues	368,223	119,329	98	898	7,921	828,326	1,408,082
EXPENDITURES							
Issuance costs					34,618		34,618
Principal retirement						400,000	400,000
Capital outlay	486,074	135,714	47,545	84,685	191,719	448,749	1,413,127
Total expenditures	486,074	135,714	47,545	84,685	226,337	848,749	1,847,745
Excess (deficiency) of revenues over (under) expenditures	(117,851)	(16,385)	(47,447)	(83,787)	(218,416)	(20,423)	(439,663)
OTHER FINANCING SOURCES (USES)							
General obligation bonds issued					3,000,000		3,000,000
Transfers out				(5,112)			(5,112)
Total other financing sources (uses)				(5,112)	3,000,000		2,994,888
Net change in fund balances	(117,851)	(16,385)	(47,447)	(88,899)	2,781,584	(20,423)	2,555,225
Fund balances--beginning	316,211	536,448	55,946	88,899		90,497	1,141,859
Fund balances--ending	\$ 198,360	\$ 520,063	\$ 8,499	\$	\$ 2,781,584	\$ 70,074	\$ 3,697,084



**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**

General Fund, Nonmajor Special Revenue Funds, and Debt Service Fund

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SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance with
	Original	Final	GAAP Basis	Budget Basis	Budget Basis	Final Budget
<b>REVENUES</b>						
Property taxes	\$ 18,100,000	\$ 17,900,000	\$ 17,886,740	\$	\$ 17,886,740	\$ (13,260)
Sales and use taxes	12,995,000	13,545,000	13,689,917		13,689,917	144,917
Franchise taxes	4,508,000	4,450,000	4,358,324		4,358,324	(91,676)
Licenses and permits	1,015,000	1,019,000	1,015,017		1,015,017	(3,983)
Charges for services	4,653,300	4,643,000	4,539,757		4,539,757	(103,243)
Fines and forfeitures	2,157,000	2,057,000	2,121,697		2,121,697	64,697
Investment income	603,000	614,000	600,333		600,333	(13,667)
Intergovernmental		111,500	111,456		111,456	(44)
Miscellaneous	56,000	87,900	85,025		85,025	(2,875)
Total revenues	44,087,300	44,427,400	44,408,266		44,408,266	(19,134)
<b>EXPENDITURES</b>						
Current:						
General government:						
General government	2,508,000	1,857,000	1,655,336	127,260	1,782,596	74,404
General administration	2,468,600	2,132,200	2,009,791	79,078	2,088,869	43,331
Human resources	551,100	568,000	522,051	217	522,268	45,732
Finance	3,267,600	3,533,100	3,922,921	122,357	4,045,278	(512,178)
Community services	2,377,800	2,492,100	2,428,553	64,755	2,493,308	(1,208)
Public safety:						
Police	11,400,900	11,777,100	12,014,964	(10,833)	12,004,131	(227,031)
Fire	9,328,300	9,605,000	9,625,628	(22,489)	9,603,139	1,861
Public works:						
Public works	5,858,300	6,040,000	5,717,415	160,621	5,878,036	161,964
Culture and recreation:						
Parks and recreation	9,279,700	9,394,800	9,234,090	(127,475)	9,106,615	288,185
Library	1,450,100	1,450,100	1,444,346	(285)	1,444,061	6,039
Total expenditures	48,490,400	48,849,400	48,575,095	393,206	48,968,301	(118,901)
Deficiency of revenues under expenditures	(4,403,100)	(4,422,000)	(4,166,829)	(393,206)	(4,560,035)	(138,035)
<b>OTHER FINANCING SOURCES</b>						
Transfers in	4,160,500	3,777,500	3,777,500		3,777,500	
Sale of general capital assets	775,000	778,200	778,298		778,298	98
Insurance recoveries	21,500	21,500	19,083		19,083	(2,417)
Total other financing sources	4,957,000	4,577,200	4,574,881		4,574,881	(2,319)
Net change in fund balance	553,900	155,200	408,052	(393,206)	14,846	(140,354)
Fund balances--beginning	11,107,692	11,107,692	11,599,826	(492,134)	11,107,692	
Fund balances--ending	\$ 11,661,592	\$ 11,262,892	\$ 12,007,878	\$ (885,340)	\$ 11,122,538	\$ (140,354)

## CITY OF FARMERS BRANCH, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Hotel/Motel			Police Forfeitures		
	Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance
REVENUES						
Hotel taxes	\$ 2,250,000	\$ 2,253,459	\$ 3,459	\$	\$	\$
Fines, forfeitures, and assessments				100,100	105,797	5,697
Franchise taxes						
Investment income	20,200	19,716	(484)	600	655	55
Intergovernmental						
Donations and miscellaneous	31,800	31,619	(181)			
Total revenues	2,302,000	2,304,794	2,794	100,700	106,452	5,752
EXPENDITURES						
General government						
Public safety				122,000	81,041	40,959
Culture and recreation	1,495,800	1,374,121	121,679			
Total expenditures	1,495,800	1,374,121	121,679	122,000	81,041	40,959
Excess (deficiency) of revenues over (under) expenditures	806,200	930,673	124,473	(21,300)	25,411	46,711
OTHER FINANCING USES						
Transfers out	(824,500)	(824,500)				
Total other financing uses	(824,500)	(824,500)				
Net change in fund balances	(18,300)	106,173	124,473	(21,300)	25,411	46,711
Fund balances--beginning	430,306	430,306		193,546	193,546	
Fund balances--ending	\$ 412,006	\$ 536,479	\$ 124,473	\$ 172,246	\$ 218,957	\$ 46,711

Donations			Cemetery			Youth Scholarships		
Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance
\$	\$	\$	\$	\$	\$	\$	\$	\$
	374	374	500	227	(273)		65	65
422,795	420,923	(1,872)		1,275	1,275	1,500	1,500	
422,795	421,297	(1,498)	500	1,502	1,002	1,500	1,565	65
12,500	28,912	(16,412)						
5,800	788	5,012						
12,874	9,762	3,112	26,700	24,918	1,782	6,940	6,940	
31,174	39,462	(8,288)	26,700	24,918	1,782	6,940	6,940	
391,621	381,835	(9,786)	(26,200)	(23,416)	2,784	(5,440)	(5,375)	65
391,621	381,835	(9,786)	(26,200)	(23,416)	2,784	(5,440)	(5,375)	65
324,187	324,187		92,095	92,095		27,242	27,242	
\$ 715,808	\$ 706,022	\$ (9,786)	\$ 65,895	\$ 68,679	\$ 2,784	\$ 21,802	\$ 21,867	\$ 65

(continued)

## CITY OF FARMERS BRANCH, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Grants			Municipal Court Fees		
	Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance
REVENUES						
Hotel taxes	\$	\$	\$	\$	\$	\$
Fines, forfeitures, and assessments				814,350	842,958	28,608
Franchise taxes					1,142	1,142
Investment income						
Intergovernmental	80,813	82,815	2,002			
Donations and miscellaneous						
Total revenues	80,813	82,815	2,002	814,350	844,100	29,750
EXPENDITURES						
General government	1,000		1,000	380,700	346,279	34,421
Public safety	16,440	18,676	(2,236)	689,200	651,893	37,307
Culture and recreation	63,373	64,139	(766)			
Total expenditures	80,813	82,815	(2,002)	1,069,900	998,172	71,728
Excess (deficiency) of revenues over (under) expenditures				(255,550)	(154,072)	101,478
OTHER FINANCING USES						
Transfers out						
Total other financing uses						
Net change in fund balances				(255,550)	(154,072)	101,478
Fund balances--beginning				706,515	706,515	
Fund balances--ending	\$	\$	\$	\$ 450,965	\$ 552,443	\$ 101,478

PEG Access Channel			Farmers Branch Local Gov't Corporation		
Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance
\$	\$	\$	\$	\$	\$
61,900	61,185 168	(715) 168			
61,900	61,353	(547)			
100,000	97,236	2,764			
100,000	97,236	2,764			
(38,100)	(35,883)	2,217			
(38,100)	(35,883)	2,217			
80,489	80,489		40,683	40,683	
\$ 42,389	\$ 44,606	\$ 2,217	\$ 40,683	\$ 40,683	\$

(continued)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Dangerous Structures Bond			Totals		
	Revised Budget	Actual Budget Basis	Variance	Revised Budget	Actual Budget Basis	Variance
REVENUES						
Hotel taxes	\$	\$	\$	\$ 2,250,000	\$ 2,253,459	\$ 3,459
Fines, forfeitures, and assessments				914,450	948,755	34,305
Franchise taxes				61,900	61,185	(715)
Investment income	10,000	5,153	(4,847)	31,300	27,500	(3,800)
Intergovernmental				80,813	82,815	2,002
Donations and miscellaneous				456,095	455,317	(778)
Total revenues	10,000	5,153	(4,847)	3,794,558	3,829,031	34,473
EXPENDITURES						
General government	430,700	172,109	258,591	924,900	644,536	280,364
Public safety				833,440	752,398	81,042
Culture and recreation				1,605,687	1,479,880	125,807
Total expenditures	430,700	172,109	258,591	3,364,027	2,876,814	487,213
Excess (deficiency) of revenues over (under) expenditures	(420,700)	(166,956)	253,744	430,531	952,217	521,686
OTHER FINANCING USES						
Transfers out	(330,000)	(330,000)		(1,154,500)	(1,154,500)	
Total other financing uses	(330,000)	(330,000)		(1,154,500)	(1,154,500)	
Net change in fund balances	(750,700)	(496,956)	253,744	(723,969)	(202,283)	521,686
Fund balances--beginning	3,823,952	3,823,952		5,719,015	5,719,015	
Fund balances--ending	\$ 3,073,252	\$ 3,326,996	\$ 253,744	\$ 4,995,046	\$ 5,516,732	\$ 521,686

(concluded)



SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 DEBT SERVICE FUND  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Revised Budget	Actual Budget Basis	Variance
REVENUES			
Property taxes	\$ 1,357,500	\$ 1,313,986	\$ (43,514)
EXPENDITURES			
Principal retirement	1,600,000	1,600,000	
Interest and fiscal agent charges	772,800	752,555	20,245
Total expenditures	2,372,800	2,352,555	20,245
Deficiency of revenues under expenditures	(1,015,300)	(1,038,569)	(23,269)
OTHER FINANCING SOURCES			
Transfers in	1,055,300	1,060,412	(5,112)
Total other financing sources	1,055,300	1,060,412	(5,112)
Net change in fund balances	40,000	21,843	(18,157)
Fund balances--beginning	221,898	221,898	
Fund balances--ending	\$ 261,898	\$ 243,741	\$ (18,157)

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## COMBINING FINANCIAL STATEMENTS

### INTERNAL SERVICE FUNDS

The Internal Service Funds account for the financing services provided by one department to other departments of the City on a cost reimbursement basis. The following is a description of the City's Internal Service Funds:

Equipment Services Fund - to account for materials and supplies provided exclusively to other funds and departments of the City.

Workers' Compensation Fund - to account for the City's workers' compensation self-insurance program.

Health Claims Fund – to account for the City's group health self-insurance program for employees, retirees, and their immediate families.

COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
SEPTEMBER 30, 2013

	Equipment Services	Workers' Compensation	Health Claims	Total
<b>ASSETS</b>				
Current assets:				
Cash, cash equivalents, and investments	\$ 149,494	\$ 712,333	\$ 562,074	\$ 1,423,901
Receivables (net of allowance for uncollectibles)	228	2,553	8,244	11,025
Inventories	52,035			52,035
Prepaid items	5,620		14,910	20,530
Deposits		23,000		23,000
Total current assets	207,377	737,886	585,228	1,530,491
Noncurrent assets:				
Capital assets:				
Nondepreciable	8,170			8,170
Depreciable, net of accumulated depreciation	121,593			121,593
Total noncurrent assets	129,763			129,763
Total assets	337,140	737,886	585,228	1,660,254
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	104,418	57,929	158,136	320,483
Compensated absences	23,614			23,614
Claims payable		319,580	427,092	746,672
Total current liabilities	128,032	377,509	585,228	1,090,769
Noncurrent liabilities:				
Compensated absences	59,128			59,128
Claims payable		360,377		360,377
Other post employment benefits obligation	20,217			20,217
Total noncurrent liabilities	79,345	360,377		439,722
Total liabilities	207,377	737,886	585,228	1,530,491
<b>NET POSITION</b>				
Net Investment in capital assets	129,763			129,763
Total net position	\$ 129,763	\$	\$	\$ 129,763

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Equipment Services	Workers' Compensation	Health Claims	Total
Operating revenues				
Charges for services	\$ 2,381,023	\$	\$	\$ 2,381,023
Contributions and miscellaneous		466,281	4,548,283	5,014,564
Total operating revenues	2,381,023	466,281	4,548,283	7,395,587
Operating expenses				
Personal services	570,379			570,379
Materials and supplies	1,596,258			1,596,258
Maintenance and utilities	214,386			214,386
Insurance claims and expenses		624,662	4,548,283	5,172,945
Depreciation	19,694			19,694
Total operating expenses	2,400,717	624,662	4,548,283	7,573,662
Operating loss	(19,694)	(158,381)		(178,075)
Net position--beginning	149,457	158,381		307,838
Net position--ending	\$ 129,763	\$	\$	\$ 129,763

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Equipment Services	Workers' Compensation	Health Claims	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services provided	\$ 2,380,795	\$ 469,728	\$ 4,597,367	\$ 7,447,890
Payments to suppliers	(1,782,299)		(14,910)	(1,797,209)
Payments to employees	(561,583)			(561,583)
Payments for claims		(240,337)	(4,439,159)	(4,679,496)
Net cash provided by operating activities	36,913	229,391	143,298	409,602
Cash and cash equivalents - beginning of year	112,581	482,942	418,776	1,014,299
Cash and cash equivalents - end of year	\$ 149,494	\$ 712,333	\$ 562,074	\$ 1,423,901
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating loss	\$ (19,694)	\$ (158,381)	\$	\$ (178,075)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:				
Depreciation	19,694			19,694
Changes in assets and liabilities:				
(Increase) decrease in receivables	(228)	(2,553)	49,084	46,303
Decrease in inventories	19,550			19,550
Decrease in deposits		6,000		6,000
Increase in prepaid items	(619)		(14,910)	(15,529)
Increase in accrued liabilities	9,491	39,318	94,076	142,885
Increase in claims payable		345,007	15,048	360,055
Increase in OPEB liability	1,416			1,416
Increase in accrued compensated absences	7,303			7,303
Net cash provided by operating activities	\$ 36,913	\$ 229,391	\$ 143,298	\$ 409,602

## STATISTICAL SECTION (Unaudited)

The City of Farmers Branch's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

	Page
Financial Trends	74 – 81
Revenue Capacity	82 – 89
Debt Capacity	90 – 92
Demographic & Economic Indicators	93 – 94
Operating Information	95 – 100

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF FARMERS BRANCH, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

(accrual basis of accounting)

(UNAUDITED)

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities:					
Net investment in capital assets	\$ 90,059,354	\$ 93,781,812	\$ 98,657,412	\$ 99,715,472	\$ 103,125,530
Restricted	3,260,438	5,442,628	2,237,530	4,189,986	4,597,310
Unrestricted	20,318,481	16,924,700	17,915,931	15,941,239	8,317,303
Total governmental activities net position	<u>\$ 113,638,273</u>	<u>\$ 116,149,140</u>	<u>\$ 118,810,873</u>	<u>\$ 119,846,697</u>	<u>\$ 116,040,143</u>
Business-type activities:					
Net investment in capital assets	\$ 42,594,070	\$ 42,492,826	\$ 44,402,198	\$ 43,151,947	\$ 44,301,036
Restricted	5,612,230	5,273,778	4,926,756		
Unrestricted	8,337,951	8,689,125	12,289,442	17,158,640	17,149,733
Total business-type activities net position	<u>\$ 56,544,251</u>	<u>\$ 56,455,729</u>	<u>\$ 61,618,396</u>	<u>\$ 60,310,587</u>	<u>\$ 61,450,769</u>
Primary government:					
Net investment in capital assets	\$ 132,653,424	\$ 136,274,638	\$ 143,059,610	\$ 142,867,419	\$ 147,426,566
Restricted	8,872,668	10,716,406	7,164,286	4,189,986	4,597,310
Unrestricted	28,656,432	25,613,825	30,205,373	33,099,879	25,467,036
Total primary government net position	<u>\$ 170,182,524</u>	<u>\$ 172,604,869</u>	<u>\$ 180,429,269</u>	<u>\$ 180,157,284</u>	<u>\$ 177,490,912</u>

Notes:

(1) The fiscal year 2004 through 2009 governmental activities net investment in capital assets and unrestricted net position have been restated with the retroactive application of GASB Statement 51 to include intangible assets.

(2) The fiscal year 2010 governmental activities were restated with implementation of GASB Statement 61 and inclusion of the Farmers Branch Local Government Corporation as a blended component unit instead of as a discretely presented component unit.

(3) The fiscal year 2011 governmental activities were restated with implementation of GASB Statement 65 and elimination of deferred charges for issuance costs.



TABLE 1

Fiscal Year				
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 101,952,256	\$ 104,287,452	\$ 102,606,658	\$ 101,949,868	\$ 100,736,048
6,694,969	3,481,483	3,717,854	3,451,946	3,593,339
(3,195,423)	(11,074,138)	(11,993,823)	(14,520,916)	(16,136,740)
<u>\$ 105,451,802</u>	<u>\$ 96,694,797</u>	<u>\$ 94,330,689</u>	<u>\$ 90,880,898</u>	<u>\$ 88,192,647</u>
\$ 43,477,996	\$ 42,116,214	\$ 40,934,305	\$ 40,608,870	\$ 40,637,368
16,882,766	15,985,128	15,810,965	15,129,064	13,945,376
<u>\$ 60,360,762</u>	<u>\$ 58,101,342</u>	<u>\$ 56,745,270</u>	<u>\$ 55,737,934</u>	<u>\$ 54,582,744</u>
\$ 145,430,252	\$ 146,403,666	\$ 143,540,963	\$ 142,558,738	\$ 141,373,416
6,694,969	3,481,483	3,717,854	3,451,946	3,593,339
13,687,343	4,910,990	3,817,142	608,148	(2,191,364)
<u>\$ 165,812,564</u>	<u>\$ 154,796,139</u>	<u>\$ 151,075,959</u>	<u>\$ 146,618,832</u>	<u>\$ 142,775,391</u>

## CITY OF FARMERS BRANCH, TEXAS

## CHANGES IN NET POSITION

## LAST TEN FISCAL YEARS

(accrual basis of accounting)

(UNAUDITED)

	Fiscal Year				
	2004	2005	2006	2007	2008
<b>Expenses</b>					
Governmental activities:					
General government	\$ 7,861,552	\$ 7,797,289	\$ 8,489,684	\$ 12,193,622	\$ 12,551,044
Public safety	14,854,374	15,536,770	15,934,442	18,387,710	20,503,576
Public works	11,152,223	10,497,625	11,940,111	10,370,758	11,198,781
Culture and recreation	13,689,052	11,041,720	11,292,821	11,553,232	12,329,063
Interest on long-term debt	978,999	1,240,816	1,353,926	1,386,599	1,696,424
Unallocated depreciation	141,602	144,510	166,626	137,656	132,412
Total governmental activities expenses	<u>48,677,802</u>	<u>46,258,730</u>	<u>49,177,610</u>	<u>54,029,577</u>	<u>58,411,300</u>
Business-type activities:					
Water and sewer	10,710,107	10,269,021	10,646,221	11,337,031	11,653,500
Public improvement district	215,513	222,959	216,572		
Total business-type activities expenses	<u>10,925,620</u>	<u>10,491,980</u>	<u>10,862,793</u>	<u>11,337,031</u>	<u>11,653,500</u>
Total primary government expenses	<u>\$ 59,603,422</u>	<u>\$ 56,750,710</u>	<u>\$ 60,040,403</u>	<u>\$ 65,366,608</u>	<u>\$ 70,064,800</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services					
Public safety	\$ 3,978,897	\$ 3,967,328	\$ 3,906,555	\$ 4,035,373	\$ 3,974,945
Public works	3,260,049	3,550,264	3,536,009	3,420,085	2,914,097
Other	1,616,740	1,599,155	1,789,155	1,883,712	1,896,556
Operating grants and contributions	122,933	64,746	140,829	182,355	309,283
Capital grants and contributions	2,626,760	1,566,453	1,888,355	1,044,978	1,552,729
Total governmental activities program revenues	<u>11,605,379</u>	<u>10,747,946</u>	<u>11,260,903</u>	<u>10,566,503</u>	<u>10,647,610</u>
Business-type activities:					
Charges for services	10,888,765	12,018,005	15,360,543	12,116,611	13,541,391
Capital grants and contributions	317,971	185,349	109,804	98,906	
Total business-type activities program revenues	<u>11,206,736</u>	<u>12,203,354</u>	<u>15,470,347</u>	<u>12,215,517</u>	<u>13,541,391</u>
Total primary government program revenues	<u>\$ 22,812,115</u>	<u>\$ 22,951,300</u>	<u>\$ 26,731,250</u>	<u>\$ 22,782,020</u>	<u>\$ 24,189,001</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (37,072,423)	\$ (35,510,784)	\$ (37,916,707)	\$ (43,463,074)	\$ (47,763,690)
Business-type activities	281,116	1,711,374	4,607,554	878,486	1,887,891
Total primary government net expense	<u>\$ (36,791,307)</u>	<u>\$ (33,799,410)</u>	<u>\$ (33,309,153)</u>	<u>\$ (42,584,588)</u>	<u>\$ (45,875,799)</u>
<b>General Revenues and Other Changes in Net Position</b>					
Governmental activities:					
Taxes					
Property taxes, levied for general purposes	\$ 12,644,154	\$ 12,866,630	\$ 13,315,728	\$ 14,413,089	\$ 16,646,283
Property taxes, levied for debt service	3,348,361	3,496,761	3,223,213	3,247,023	2,139,338
Sales and use taxes	10,277,538	10,789,405	11,240,717	12,367,492	12,458,643
Other taxes	7,215,972	7,121,051	9,545,758	7,873,881	8,281,023
Investment income	757,793	1,720,704	3,225,628	3,487,671	3,010,414
Gain on sale/retirement of capital assets			45,001	212,352	222,568
Transfers	2,028,600	2,027,100	(17,605)	2,897,390	1,198,867
Total governmental activities	<u>36,272,418</u>	<u>38,021,651</u>	<u>40,578,440</u>	<u>44,498,898</u>	<u>43,957,136</u>
Business-type activities:					
Investment income	117,498	227,204	537,508	760,195	428,409
Gain on sale/retirement of capital assets				(49,100)	22,749
Transfers	(2,028,600)	(2,027,100)	17,605	(2,897,390)	(1,198,867)
Total business-type activities	<u>(1,911,102)</u>	<u>(1,799,896)</u>	<u>555,113</u>	<u>(2,186,295)</u>	<u>(747,709)</u>
Total primary government	<u>\$ 34,361,316</u>	<u>\$ 36,221,755</u>	<u>\$ 41,133,553</u>	<u>\$ 42,312,603</u>	<u>\$ 43,209,427</u>
<b>Change in Net Position</b>					
Governmental activities	\$ (800,005)	\$ 2,510,867	\$ 2,661,733	\$ 1,035,824	\$ (3,806,554)
Business-type activities	(1,629,986)	(88,522)	5,162,667	(1,307,809)	1,140,182
Total primary government	<u>\$ (2,429,991)</u>	<u>\$ 2,422,345</u>	<u>\$ 7,824,400</u>	<u>\$ (271,985)</u>	<u>\$ (2,666,372)</u>

## Notes:

(1) The fiscal year 2004 through 2009 governmental activities net investment in capital assets and unrestricted net position have been restated with the retroactive application of GASB Statement 51 to include intangible assets.

(2) The fiscal year 2010 governmental activities were restated with implementation of GASB Statement 61 and inclusion of the Farmers Branch Local Government Corporation as a blended component unit instead of as a discretely presented component unit.

(3) The fiscal year 2011 governmental activities were restated with implementation of GASB Statement 65 and elimination of deferred charges for issuance costs.

TABLE 2

Fiscal year				
2009	2010	2011	2012	2013
\$ 11,451,397	\$ 16,076,156	\$ 11,808,807	\$ 11,884,776	\$ 10,914,452
21,375,045	22,032,570	22,439,143	21,414,818	22,772,965
16,056,692	9,739,019	8,562,557	8,509,565	8,875,224
12,838,761	13,335,886	12,824,261	12,866,193	12,739,313
1,662,921	1,925,378	1,821,645	1,775,374	1,887,714
32,530	129,904	126,464	605,266	126,464
63,417,346	63,238,913	57,582,877	57,055,992	57,316,132
12,202,196	12,889,881	11,937,355	11,712,523	12,249,982
12,202,196	12,889,881	11,937,355	11,712,523	12,249,982
\$ 75,619,542	\$ 76,128,794	\$ 69,520,232	\$ 68,768,515	\$ 69,566,114
\$ 3,840,336	\$ 4,264,166	\$ 4,241,073	\$ 3,989,457	\$ 4,283,496
2,202,169	2,753,067	2,726,198	2,308,598	2,254,323
1,493,047	1,519,291	2,109,977	2,356,793	2,386,019
134,927	286,011	151,228	310,341	781,993
292,271	1,460,179	720,581	709,138	303,998
7,962,750	10,282,714	9,949,057	9,674,327	10,009,829
14,188,751	13,368,650	14,737,572	14,059,819	14,194,339
14,188,751	13,368,650	14,737,572	14,059,819	14,194,339
\$ 22,151,501	\$ 23,651,364	\$ 24,686,629	\$ 23,734,146	\$ 24,204,168
\$ (55,454,596)	\$ (52,956,199)	\$ (47,633,820)	\$ (47,381,665)	\$ (47,306,303)
1,986,555	478,769	2,800,217	2,347,296	1,944,357
\$ (53,468,041)	\$ (52,477,430)	\$ (44,833,603)	\$ (45,034,369)	\$ (45,361,946)
\$ 17,087,985	\$ 18,311,639	\$ 18,109,178	\$ 17,284,378	\$ 17,707,657
2,147,917	2,731,178	1,474,045	1,506,258	1,284,446
11,912,047	10,890,296	11,988,696	12,750,809	13,689,917
8,332,827	7,649,667	8,050,487	7,123,827	7,471,449
1,998,392	1,777,261	1,379,360	1,341,782	1,386,221
36,787	20,953	56,546	536,320	4,862
3,350,300	2,818,200	4,211,400	3,388,500	3,073,500
44,866,255	44,199,194	45,269,712	43,931,874	44,618,052
248,022	62,486	55,111	33,868	20,563
25,716	17,525			(46,610)
(3,350,300)	(2,818,200)	(4,211,400)	(3,388,500)	(3,073,500)
(3,076,562)	(2,738,189)	(4,156,289)	(3,354,632)	(3,099,547)
\$ 41,789,693	\$ 41,461,005	\$ 41,113,423	\$ 40,577,242	\$ 41,518,505
\$ (10,588,341)	\$ (8,757,005)	\$ (2,364,108)	\$ (3,449,791)	\$ (2,688,251)
(1,090,007)	(2,259,420)	(1,356,072)	(1,007,336)	(1,155,190)
\$ (11,678,348)	\$ (11,016,425)	\$ (3,720,180)	\$ (4,457,127)	\$ (3,843,441)

CITY OF FARMERS BRANCH, TEXAS

FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

(UNAUDITED)

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund					
Nondisposable	\$ 13,999	\$ 16,363	\$ 20,911	\$ 30,163	\$ 20,853
Committed	381,602	188,381		784,232	65,100
Assigned	2,640,563	1,816,932	1,576,072	2,497,634	2,321,595
Unassigned	10,565,115	11,106,626	13,536,718	8,632,983	6,633,937
Total general fund	<u>\$ 13,601,279</u>	<u>\$ 13,128,302</u>	<u>\$ 15,133,701</u>	<u>\$ 11,945,012</u>	<u>\$ 9,041,485</u>
All Other Governmental Funds					
Nondisposable	\$ 204,129	\$ 203,816	\$ 204,301	\$ 204,107	\$ 204,406
Restricted	10,238,245	12,973,187	12,838,474	15,707,905	22,688,373
Assigned	15,685,136	12,914,110	9,556,225	10,572,323	6,370,872
Unassigned			(31,364)	(35,459)	
Total all other governmental funds	<u>\$ 26,127,510</u>	<u>\$ 26,091,113</u>	<u>\$ 22,567,636</u>	<u>\$ 26,448,876</u>	<u>\$ 29,263,651</u>

Notes:

(1) Fiscal years 2004 through 2008 have been reclassified with implementation of GASB Statement 54 in fiscal year 2009.

(2) Fiscal year 2010 was restated with implementation of GASB Statement 61 in fiscal year 2011.

TABLE 3

Fiscal Year				
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 17,375	\$ 7,567	\$ 50,752	\$ 68,355	\$ 53,954
40,277				
1,100,824	394,086	2,314,053	2,901,641	3,011,161
7,670,573	8,226,571	9,280,794	8,629,830	8,942,763
<u>\$ 8,829,049</u>	<u>\$ 8,628,224</u>	<u>\$ 11,645,599</u>	<u>\$ 11,599,826</u>	<u>\$ 12,007,878</u>
\$ 333,931	\$ 205,312	\$ 212,669	\$ 5,518	\$ 5,625
15,791,814	20,614,884	16,893,106	13,893,159	22,579,131
2,336,975	2,487,727	1,953,244	538,109	442,101
	(130,728)	(77,942)		
<u>\$ 18,462,720</u>	<u>\$ 23,177,195</u>	<u>\$ 18,981,077</u>	<u>\$ 14,436,786</u>	<u>\$ 23,026,857</u>

## CITY OF FARMERS BRANCH, TEXAS

## CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

## LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

(UNAUDITED)

	Fiscal Year				
	2004	2005	2006	2007	2008
<b>REVENUES</b>					
Property taxes	\$ 15,948,557	\$ 16,283,045	\$ 16,654,207	\$ 17,521,813	\$ 18,749,053
Sales and use taxes	10,277,538	10,789,405	11,240,717	12,367,492	12,458,643
Hotel/motel taxes	1,786,530	1,965,693	2,249,499	2,487,792	2,507,434
Franchise taxes	4,577,748	4,401,914	5,846,634	4,649,499	4,550,441
Tax increment financing	1,315,748	739,795	727,185	483,258	1,511,538
Licenses and permits	679,716	702,623	901,032	847,741	769,575
Charges for services	5,003,761	5,474,608	5,521,947	5,575,733	5,042,920
Fines and forfeitures	2,941,491	2,816,349	2,651,545	2,788,819	2,735,027
Special assessments					107,543
Investment income	757,793	1,693,480	2,799,628	3,134,483	2,969,571
Intergovernmental	2,687,914	1,395,173	1,866,433	1,128,092	502,891
Miscellaneous	355,717	355,518	297,542	216,380	462,585
Total revenues	46,332,513	46,617,603	50,756,369	51,201,102	52,367,221
<b>EXPENDITURES</b>					
General government	7,748,593	7,604,968	8,441,567	9,908,182	12,199,482
Public safety	15,989,098	16,344,952	16,216,083	17,049,311	19,651,803
Public works	6,583,462	6,685,000	6,750,691	7,181,345	7,711,943
Culture and recreation	9,475,882	10,143,731	10,606,767	10,762,858	11,421,188
Debt service:					
Principal retirement	3,155,000	3,220,000	3,320,000	3,565,000	2,410,000
Interest and fiscal agent charges	613,301	961,455	863,056	747,375	827,386
Issuance costs	234,310			6,000	48,923
Loss due to decline in market value					
Capital outlay	16,248,988	8,197,375	9,957,833	8,260,060	9,031,200
Total expenditures	60,048,634	53,157,481	56,155,997	57,480,131	63,301,925
Deficiency of revenues under expenditures	(13,716,121)	(6,539,878)	(5,399,628)	(6,279,029)	(10,934,704)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	4,245,511	4,231,842	4,895,008	10,676,789	4,147,842
Transfers out	(2,216,911)	(2,204,742)	(2,669,708)	(6,040,076)	(1,507,642)
Proceeds from developer advances	253,390	3,849,257	1,398,727	2,937,952	
Certificates of obligation issued	8,865,000				7,750,000
General obligation refunding and improve- ment bonds issued					
Premiums on debt issued					
Payment to refunded bond escrow agent				(917,004)	
Discount on refunded bonds	(15,262)				
Sale of capital assets/insurance recoveries	297,932	154,147	257,523	313,919	455,752
Total other financing sources	11,429,660	6,030,504	3,881,550	6,971,580	10,845,952
Net change in fund balances	(2,286,461)	(509,374)	(1,518,078)	692,551	(88,752)
Debt service as a percentage of noncapital expenditures	7.93%	9.59%	9.16%	8.38%	5.98%

(1) Fiscal year 2010 was restated with implementation of GASB Statement 61 in fiscal year 2011

TABLE 4

Fiscal Year				
2009	2010	2011	2012	2013
\$ 19,256,366	\$ 21,260,191	\$ 19,638,998	\$ 18,743,734	\$ 19,200,726
11,912,047	10,890,296	11,988,696	12,750,809	13,689,917
1,974,308	1,821,619	2,017,819	1,932,530	2,253,459
4,338,892	4,217,372	4,628,888	4,224,443	4,419,509
2,097,654	931,118	1,879,338	868,477	910,899
485,241	559,979	886,511	1,012,913	1,015,017
4,360,812	4,803,469	4,780,573	4,624,287	4,539,757
2,576,170	3,052,061	3,114,924	2,855,363	3,070,412
587,540	443,793	14,096	42,676	9,806
1,979,892	1,402,261	1,381,715	1,320,647	1,342,026
321,647	1,522,035	775,339	691,339	569,703
133,998	318,239	339,621	438,008	640,342
50,024,567	51,222,433	51,446,518	49,505,226	51,661,573
9,937,817	10,171,825	9,710,233	11,405,984	11,098,357
20,486,227	20,359,951	20,706,962	21,217,452	22,389,057
7,001,379	7,041,562	6,424,763	6,132,641	6,286,480
11,614,329	12,160,356	11,875,903	11,951,546	12,111,397
3,577,937	4,315,000	3,600,000	3,720,000	2,000,000
789,523	962,417	1,212,169	773,819	752,555
	249,042	5,553	108,637	182,333
	4,827,791	292,511	134,227	
11,078,507	4,756,442	3,499,651	3,712,822	1,862,907
64,485,719	64,844,386	57,327,745	59,157,128	56,683,086
(14,461,152)	(13,621,953)	(5,881,227)	(9,651,902)	(5,021,513)
6,408,490	6,044,968	8,547,367	5,007,593	4,837,912
(3,058,190)	(3,226,768)	(4,335,967)	(1,619,093)	(1,764,412)
	10,000,000			
	7,160,000		7,035,000	9,500,000
	142,956		19,057	648,755
	(2,073,612)		(6,950,250)	
97,485	88,059	491,084	1,569,531	797,381
3,447,785	18,135,603	4,702,484	5,061,838	14,019,636
(11,013,367)	4,513,650	(1,178,743)	(4,590,064)	8,998,123
7.38%	8.87%	8.85%	8.28%	5.19%

CITY OF FARMERS BRANCH, TEXAS

ESTIMATED ACTUAL AND ASSESSED VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS  
(UNAUDITED)

FISCAL YEAR	RESIDENTIAL PROPERTY			COMMERCIAL PROPERTY		
	ESTIMATED	LESS:	ASSESSED VALUE	ESTIMATED	LESS:	ASSESSED VALUE
	ACTUAL	TAX		ACTUAL	TAX	
	VALUE	EXEMPTIONS		VALUE	EXEMPTIONS	
2004	\$ 1,072,890,000	\$ 330,068,183	\$ 742,821,817	\$ 2,102,559,690	\$ 506,450,763	\$ 1,596,108,927
2005	1,099,799,270	324,929,103	774,870,167	1,830,594,430	372,949,338	1,457,645,092
2006	1,145,354,860	330,535,831	814,819,029	2,050,631,160	512,078,808	1,538,552,352
2007	1,154,512,990	328,858,113	825,654,877	2,230,116,920	461,723,606	1,768,393,314
2008	1,192,986,700	336,268,242	856,718,458	2,594,828,250	591,244,468	2,003,583,782
2009	1,230,445,290	336,926,429	893,518,861	2,649,217,110	543,942,277	2,105,274,833
2010	1,231,622,730	340,746,718	890,876,012	2,601,976,410	493,392,278	2,108,584,132
2011	1,202,295,560	352,180,154	850,115,406	2,506,603,830	527,024,423	1,979,579,407
2012	1,168,520,280	346,341,819	822,178,461	2,404,857,560	479,255,392	1,925,602,168
2013	1,161,499,680	341,105,378	820,394,302	2,426,759,830	480,107,916	1,946,651,914

Source: Dallas Central Appraisal District

Note: Property in the city is reassessed at least every three years. Property is assessed at actual value; therefore, the assessed values are equal to actual value less exemptions. Tax rates are per \$100 of assessed value.



TABLE 5

BUSINESS-PERSONAL PROPERTY			TOTAL			TOTAL DIRECT TAX RATE
ESTIMATED	LESS:	ASSESSED VALUE	ESTIMATED	LESS:	ASSESSED VALUE	
ACTUAL	TAX		ACTUAL	TAX		
VALUE	EXEMPTIONS		VALUE	EXEMPTIONS		
\$ 1,221,611,230	\$ 2,329,581	\$ 1,219,281,649	\$ 4,397,060,920	\$ 838,848,527	\$ 3,558,212,393	\$ 0.4600
1,098,180,490	77,069,672	1,021,110,818	4,028,574,190	774,948,113	3,253,626,077	0.4945
1,061,094,740	116,725,093	944,369,647	4,257,080,760	959,339,732	3,297,741,028	0.4945
1,009,905,870	98,298,591	911,607,279	4,394,535,780	888,880,310	3,505,655,470	0.4945
1,096,945,970	137,850,233	959,095,737	4,884,760,920	1,065,362,943	3,819,397,977	0.4945
1,213,451,110	192,437,313	1,021,013,797	5,093,113,510	1,073,306,019	4,019,807,491	0.4945
1,536,661,570	407,846,378	1,128,815,192	5,370,260,710	1,241,985,374	4,128,275,336	0.5195
1,229,699,030	289,896,502	939,802,528	4,938,598,420	1,169,101,079	3,769,497,341	0.5295
1,066,425,480	182,416,255	884,009,225	4,639,803,320	1,008,013,466	3,631,789,854	0.5295
1,101,684,660	180,498,255	921,186,405	4,689,944,170	1,001,711,549	3,688,232,621	0.5295

CITY OF FARMERS BRANCH, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES  
(PER \$100 OF ASSESSED VALUE)  
LAST TEN FISCAL YEARS  
(UNAUDITED)

FISCAL YEAR	CITY DIRECT RATES			OVERLAPPING RATES (1)				
	GENERAL			CARROLLTON - FARMERS BRANCH I.S.D.	DALLAS I.S.D.	DALLAS COUNTY	DALLAS COUNTY HOSPITAL	DALLAS COUNTY COMMUNITY COLLEGE
	BASIC RATE	OBLIGATION DEBT SERVICE	TOTAL DIRECT (2)					
2004	\$ 0.3670	\$ 0.0930	\$ 0.4600	\$ 1.7358	\$ 1.6395	\$ 0.2094	\$ 0.2540	\$ 0.0778
2005	0.3965	0.0980	0.4945	1.7824	1.6694	0.2094	0.2540	0.0803
2006	0.3985	0.0960	0.4945	1.8259	1.6884	0.2192	0.2540	0.0816
2007	0.4041	0.0904	0.4945	1.6830	1.5026	0.2189	0.2540	0.0810
2008	0.4386	0.0559	0.4945	1.3670	1.1996	0.2328	0.2540	0.0804
2009	0.4423	0.0522	0.4945	1.3623	1.1834	0.2330	0.2540	0.0894
2010	0.4516	0.0679	0.5195	1.3422	1.2713	0.2333	0.2740	0.0949
2011	0.4892	0.0403	0.5295	1.3469	1.2378	0.2531	0.2710	0.0992
2012	0.4873	0.0422	0.5295	1.3568	1.2903	0.2531	0.2710	0.0997
2013	0.4935	0.0360	0.5295	1.3306	1.2903	0.2530	0.2710	0.1194

Source: Dallas Central Appraisal District

Notes:

- (1) Overlapping rates are those of local and county governments that apply to property owners within the City of Farmers Branch. Not all overlapping rates apply to all city property owners; for example, although the county property tax rates apply to all city property owners, the Dallas Independent School District (ISD) rates apply only to the approximately 23.3% of city property owners whose property is located within that district's geographic boundaries.
- (2) The City's basic property tax rate may be increased only by a majority vote of the City Council up to the limits of State law, after which the city's residents may petition for a vote. Rates for debt service are set based on each year's requirements.
- (3) Does not include Dallas ISD as school districts do not overlap each other.

TABLE 6

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TOTAL (3)	
\$	2.7370
	2.8206
	2.8752
	2.7314
	2.4287
	2.4332
	2.4639
	2.4997
	2.5101
	2.5035

CITY OF FARMERS BRANCH, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX LEVIES  
LAST TEN FISCAL YEARS  
(UNAUDITED)

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FISCAL YEAR	FARMERS BRANCH	CARROLLTON- FARMERS BRANCH I.S.D.	DALLAS I.S.D.	DALLAS COUNTY
2004	\$ 16,367,777	\$ 224,290,076	\$ 947,346,797	\$ 267,269,899
2005	16,089,181	221,371,359	983,293,871	271,367,179
2006	16,307,329	230,386,930	1,044,465,976	296,814,473
2007	17,335,466	222,194,231	1,031,420,904	320,339,291
2008	18,886,923	200,337,274	920,814,173	375,408,115
2009	19,877,948	207,688,213	972,477,527	397,456,902
2010	21,446,390	200,119,142	1,012,347,453	385,705,977
2011	19,959,488	190,357,561	940,562,436	400,352,271
2012	19,230,327	188,452,360	963,386,876	393,607,404
2013	19,529,192	198,312,061	984,164,209	398,969,141

Source: The Dallas Central Appraisal District provided information for fiscal years 2004 through 2008. Beginning in 2009, the Carrollton-Farmers Branch I.S.D. began reporting their own values since the district spans multiple counties and appraisal districts began reporting only their portion of an entity's value if the entity overlaps jurisdictions.

TABLE 7

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	DALLAS COUNTY HOSPITAL		DALLAS COUNTY COMMUNITY COLLEGE
\$	324,257,520	\$	103,074,389
	329,228,427		107,927,170
	343,936,479		114,768,496
	371,647,072		122,966,354
	409,570,134		135,032,794
	433,279,198		158,692,823
	453,330,805		163,641,621
	428,980,078		162,905,820
	421,898,213		161,373,615
	427,773,967		196,713,575

PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO  
(UNAUDITED)

TAXPAYER	2013			2004		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE (a)	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE (b)
70 Washington Street LP	\$ 94,809,000	1	2.57%			
AT&T Communications (formerly Southwestern Bell/Cingular)	75,571,140	2	2.05%	\$ 90,267,490	2	2.54%
Occidental Chemical	66,594,290	3	1.81%	57,459,720	5	1.61%
EOS Properties at Providence Towers	55,900,000	4	1.52%	25,000,000	10	0.70%
TCI Parkwest I Inc	52,397,550	5	1.42%			
Garden Centura LP	50,000,000	6	1.36%			
Glazers Wholesale	48,106,450	7	1.30%			
Fenton Mercer Crossing Holding Co.	46,500,000	8	1.26%			
Lakeview at Parkside	43,140,060	9	1.17%			
Loadstar, Inc.	38,900,000	10	1.05%			
Dallas Semiconductor				120,253,809	1	3.38%
Tuesday Morning, Inc.				86,598,460	3	2.43%
Quebecor Printing				57,489,720	4	1.62%
Prentiss Properties				50,216,260	6	1.41%
Daltex Centre LP				42,035,140	7	1.18%
Parkwest Fairview Association				31,204,300	8	0.88%
Stanley Mechanics Tools				25,104,840	9	0.71%
	<u>\$ 571,918,490</u>		<u>15.51%</u>	<u>\$ 585,629,739</u>		<u>16.46%</u>

Source: Dallas County, "City Report of Property Value," City of Farmers Branch

Notes:

(a) Total taxable value October 1, 2012 (2013 fiscal year) is \$3,688,232,621.

(b) Total taxable value October 1, 2003 (2004 fiscal year) is \$3,558,212,393.

PROPERTY TAX LEVIES AND COLLECTIONS  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

FISCAL YEAR	ACTUAL LEVY YEAR	ORIGINAL LEVY (1)	SUBSEQUENT ADJUSTMENTS	TOTAL LEVY	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS/ (REFUNDS) IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
					CURRENT TAX COLLECTIONS	PERCENT OF TOTAL LEVY COLLECTED		TOTAL TAX COLLECTIONS	PERCENT OF TOTAL TAX COLLECTIONS TO TOTAL LEVY
2004	2003	\$ 16,367,777	\$ (458,411)	\$ 15,909,366	\$ 15,742,089	98.95%	\$ 148,247	\$ 15,890,336	99.88%
2005	2004	16,089,181	127,505	16,216,686	16,041,941	98.92%	164,982	16,206,923	99.94%
2006	2005	16,307,329	188,458	16,495,787	16,410,700	99.48%	69,744	16,480,444	99.91%
2007	2006	17,335,466	(5,572)	17,329,894	17,306,192	99.86%	7,495	17,313,687	99.91%
2008	2007	18,886,923	(299,770)	18,587,153	18,569,133	99.90%	2,259	18,571,392	99.92%
2009	2008	19,877,948	(463,638)	19,414,310	19,273,031	99.27%	110,598	19,383,629	99.84%
2010	2009	21,446,390	(133,115)	21,313,275	21,238,074	99.65%	(22,787)	21,215,287	99.54%
2011	2010	19,959,488	(443,417)	19,516,071	19,488,243	99.86%	(46,291)	19,441,952	99.62%
2012	2011	19,230,327	(219,715)	19,010,612	18,901,401	99.43%	6,136	18,907,537	99.46%
2013	2012	19,529,192		19,529,192	19,081,323	97.71%		19,081,323	97.71%

Source: Dallas County Tax Office

Notes:

(1) The original levy is as of July of the previous fiscal year and does not include any subsequent adjustments.

RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
(UNAUDITED)

FISCAL YEAR	GENERAL OBLIGATION BONDS	SPECIAL REVENUE BONDS	DEVELOPER ADVANCES	ASSESSMENT REVENUE BONDS	TOTAL OUTSTANDING DEBT	TAXABLE ASSESSED VALUE	PERCENTAGE OF TAXABLE ASSESSED VALUE	ESTIMATED POPULATION (1)	DEBT PER CAPITA
<u>Governmental Activities:</u>									
2004	\$ 10,582,657	\$ 12,475,000	\$ 3,415,888		\$ 26,473,545	\$ 3,558,212,393	0.74%	27,400	\$ 966
2005	7,591,081	12,190,000	7,265,145		27,046,226	3,253,626,077	0.83%	27,595	980
2006	4,539,505	11,865,000	8,663,872		25,068,377	3,297,741,028	0.76%	27,850	900
2007	1,440,000	10,430,000	11,601,824		23,471,824	3,505,655,470	0.67%	28,500	824
2008	7,290,000	9,920,000	11,601,824		28,811,824	3,819,397,977	0.75%	28,750	1,002
2009	5,380,000	9,385,000	10,468,887		25,233,887	4,019,807,491	0.63%	31,100	811
2010	18,530,000	8,850,000	8,668,887		36,048,887	4,128,275,336	0.87%	28,616	1,260
2011	16,080,000	8,250,000	8,118,887		32,448,887	3,769,497,341	0.86%	28,600	1,135
2012	13,595,160	7,693,841	7,868,887		29,157,888	3,631,789,854	0.80%	28,620	1,019
2013	23,002,208	6,813,073	7,468,887		37,284,168	3,688,232,621	1.01%	28,800	1,295
<u>Business Activities:</u>									
2004				\$ 3,734,392	\$ 3,734,392	\$ 3,558,212,393	0.10%	27,400	\$ 136
2005				3,245,000	3,245,000	3,253,626,077	0.10%	27,595	118
2006				2,745,000	2,745,000	3,297,741,028	0.08%	27,850	99
2007						3,505,655,470		28,500	
2008						3,819,397,977		28,750	
2009						4,019,807,491		31,100	
2010						4,128,275,336		28,616	
2011						3,769,497,341		28,600	
2012						3,631,789,854		28,620	
2013						3,688,232,621		28,800	
<u>Total Government-Wide:</u>									
2004	\$ 10,582,657	\$ 12,475,000	\$ 3,415,888	\$ 3,734,392	\$ 30,207,937	\$ 3,558,212,393	0.85%	27,400	\$ 1,102
2005	7,591,081	12,190,000	7,265,145	3,245,000	30,291,226	3,253,626,077	0.93%	27,595	1,098
2006	4,539,505	11,865,000	8,663,872	2,745,000	27,813,377	3,297,741,028	0.84%	27,850	999
2007	1,440,000	10,430,000	11,601,824		23,471,824	3,505,655,470	0.67%	28,500	824
2008	7,290,000	9,920,000	11,601,824		28,811,824	3,819,397,977	0.75%	28,750	1,002
2009	5,380,000	9,385,000	10,468,887		25,233,887	4,019,807,491	0.63%	31,100	811
2010	18,530,000	8,850,000	8,668,887		36,048,887	4,128,275,336	0.87%	28,616	1,260
2011	16,080,000	8,250,000	8,118,887		32,448,887	3,769,497,341	0.86%	28,600	1,135
2012	13,595,160	7,693,841	7,868,887		29,157,888	3,631,789,854	0.80%	28,620	1,019
2013	23,002,208	6,813,073	7,468,887		37,284,168	3,688,232,621	1.01%	28,800	1,295

## Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Population based on North Central Texas Council of Governments (NCTCOG) original population estimates with the exception of 2010, which is based on the 2010 U.S. Census.



RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
(UNAUDITED)

FISCAL YEAR	GENERAL OBLIGATION BONDS	SPECIAL REVENUE BONDS	LESS: AMOUNTS AVAILABLE IN DEBT SERVICE FUND	TOTAL	TAXABLE ASSESSED VALUE	PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	ESTIMATED POPULATION (1)	PER CAPITA
2004	\$ 10,582,657	\$ 12,475,000	\$ 56,514	\$ 23,001,143	\$ 3,558,212,393	0.65%	27,400	\$ 839
2005	7,591,081	12,190,000	93,878	19,687,203	3,253,626,077	0.61%	27,595	713
2006	4,539,505	11,865,000	152,873	16,251,632	3,297,741,028	0.49%	27,850	584
2007	1,440,000	10,430,000	229,766	11,640,234	3,505,655,470	0.33%	28,500	408
2008	7,290,000	9,920,000	217,438	16,992,562	3,819,397,977	0.44%	28,750	591
2009	5,380,000	9,385,000	223,766	14,541,234	4,019,807,491	0.36%	31,100	468
2010	18,530,000	8,850,000	571,245	26,808,755	4,128,275,336	0.65%	28,616	937
2011	16,080,000	8,250,000	1,906,300	22,423,700	3,769,497,341	0.59%	28,600	784
2012	13,595,160	7,693,841	221,898	21,067,103	3,631,789,854	0.58%	28,620	736
2013	23,002,208	6,813,073	243,741	29,571,540	3,688,232,621	0.80%	28,800	1,027

## Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Population based on North Central Texas Council of Governments (NCTCOG) original population estimates with the exception of 2010, which is based on the 2010 U.S. Census.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
 SEPTEMBER 30, 2013  
 (UNAUDITED)

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE OVERLAPPING (1)	ESTIMATED SHARE OF OVERLAPPING DEBT
Debt repaid with property taxes			
Carrollton - Farmers Branch			
Independent School District	\$ 331,290,000	16.51%	\$ 54,695,979
Valwood Improvement Authority	8,433,083	35.25%	2,972,662
Dallas County	136,430,000	2.34%	3,192,462
Dallas County Hospital District	705,000,000	2.34%	16,497,000
Dallas County Community College	355,880,000	2.34%	8,327,592
District			
Dallas County Schools	67,675,000	2.34%	1,583,595
Dallas Independent School District	2,470,770,000	1.85%	45,709,245
Subtotal, overlapping debt	4,075,478,083		132,978,535
City direct debt (2)	29,815,281	100.00%	29,815,281
Total direct and overlapping bonded debt	\$ 4,105,293,364		\$ 162,793,816
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)			
		4.41%	
Per capita overlapping bonded debt			
		\$ 5,653	(3)

Source: Municipal Advisory Council of Texas

Notes:

(1) The "Estimated Percentage Overlapping" is determined by dividing the City's certified taxable value by the County and related other County entities certified taxable values. The share of market value for Carrollton/Farmers Branch ISD, Dallas ISD and Valwood Improvement Authority is calculated by the Dallas Central Appraisal District (DCAD) once every two years as these boundaries overlap within the City.

(2) The City direct debt includes General Obligation Refunding and Improvement Bonds, Series 2010, which includes the refunding amount of \$446,723, which are being paid from hotel occupancy tax revenues and General Obligation Refunding Bonds, Taxable Series 2011, in the amount of \$6,366,350, which are being paid from amounts received under the Ground Lease Agreement (the "Lease") entered into by the City and the Dallas Stars, L.P.

(3) Based on North Central Texas Council of Governments (NCTCOG) population estimate.

DEMOGRAPHIC STATISTICS  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

FISCAL YEAR	ESTIMATED POPULATION (1)	MEDIAN AGE (2)	PER CAPITA INCOME (2)	PERSONAL INCOME (3)	UNEMPLOYMENT RATE % (4)
2004	27,400	*	\$ 24,921	\$ 682,835,400	4.0%
2005	27,595	*	24,921	687,694,995	4.7%
2006	27,850	*	24,921	694,049,850	4.1%
2007	28,500	*	24,921	710,248,500	3.8%
2008	28,750	37.1	25,461	732,003,750	5.2%
2009	31,100	38.2	27,153	844,458,300	8.4%
2010	28,616	36.4	29,073	831,952,968	8.0%
2011	28,600	36.2	28,715	821,249,000	7.7%
2012	28,620	37.6	29,623	847,810,260	6.0%
2013	28,800	35.9	27,545	793,296,000	5.8%

## Sources/Notes:

(1) Population based on North Central Texas Council of Governments (NCTCOG) original population estimates with the exception of 2010, which is based on the 2010 U.S. Census.

(2) Median Age and Per Capita Income data provided by U.S. Census Bureau's American Community Survey - 3 Year Estimates, with the exception of 2010, which is based on the 2010 U.S. Census. The \* indicates that the information was not available.

(3) Personal Income is derived by multiplying per capita income by the estimated population.

(4) Unemployment Rate % provided by Bureau of Labor Statistics.

The following information is provided by the U.S. Census Bureau based on 2010 census information.

Households:	10,797	Male:	14,075
Families:	6,923	Female:	14,541

Racial Breakdown

White	21,017
Black	1,365
American Indian	206
Asian or Pacific Islander	1,261
Other	4,767

Source: U.S. Census Bureau

PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO  
(UNAUDITED)

EMPLOYER	2013			2004		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
JPMorgan Chase Investment Services	2,390	1	2.92%	1,700	2	2.27%
IBM Corporation	1,870	2	2.28%	3,190	1	4.25%
Federal Government - Internal Revenue Service	1,200	3	1.47%	1,200	4	1.60%
GEICO	1,088	4	1.33%	1,200	4	1.60%
Telvista	1,000	5	1.22%			
TD Industries	900	6	1.10%	973	7	1.30%
Haggar Clothing Company	750	7	0.92%			
Monitronics International Inc.	700	8	0.86%			
Celanese Corporation	650	9	0.79%			
Encore Enterprises, Inc.	650	9	0.79%			
Glazer's Wholesale Drug Company	650	9	0.79%			
Dallas Semiconductor				1,300	3	1.73%
Cingular Wireless				1,018	6	1.36%
Sprint, Inc.				800	8	1.07%
Centre				750	9	1.00%
Essilor Laboratories				650	10	0.87%
Occidental Chemical				650	10	0.87%
Tenet Healthcare				650	10	0.87%
	<u>11,848</u>		<u>14.47%</u>	<u>14,081</u>		<u>18.79%</u>

Sources:

North Central Texas Council of Governments (NCTCOG) provides total employment estimates. For 2013, estimated total employment is 81,840. For 2004, estimated total employment was 75,013. (See NCTCOG 2030 Demographic Forecast and Demographic Data for Farmers Branch for further information.)

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

	Full-Time Equivalent Employees as of September 30									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>Function/Program</u>										
General government	66.02	66.52	74.63	77.09	77.26	66.16	65.74	62.85	62.85	66.02
General administration	8.50	8.50	7.50	6.50	7.00	6.35	7.00	6.00	6.00	6.00
Communications	4.16	4.16	4.22	4.22	5.22	4.22	4.22	2.00	2.00	2.00
Economic development	2.00	2.00	2.00	3.00	2.00	1.00	1.00	1.00	2.50	2.74
Human resources	7.00	7.00	7.00	7.39	7.64	6.67	6.00	6.00	5.00	6.00
Finance	18.50	20.00	29.00	29.00	28.48	25.00	25.00	24.00	24.00	25.19
Community services	25.63	24.63	24.70	26.75	26.75	22.75	22.35	23.70	23.20	23.94
Other	0.23	0.23	0.21	0.23	0.17	0.17	0.17	0.15	0.15	0.15
Public safety	187.46	186.74	177.02	185.20	195.50	195.91	196.04	194.76	195.63	195.72
Police	119.81	119.31	109.81	109.96	113.04	113.04	113.04	113.00	115.04	115.04
Fire	64.00	64.22	64.28	72.00	80.09	80.50	80.63	79.67	78.50	78.58
Other	3.65	3.21	2.93	3.24	2.37	2.37	2.37	2.09	2.09	2.09
Public works	62.03	61.03	57.94	56.34	55.24	45.97	44.97	31.62	29.62	29.62
Engineering	19.00	18.00	18.00	18.00	18.00	13.00	13.00	9.00	0.00	0.00
Public works	39.00	39.00	36.27	34.27	34.27	30.00	29.00	20.00	27.00	27.00
Other	4.03	4.03	3.67	4.07	2.97	2.97	2.97	2.62	2.62	2.62
Culture and recreation	124.68	129.56	131.34	133.34	131.73	121.52	109.60	87.21	84.64	86.34
Parks	98.12	102.93	102.93	102.93	101.41	97.31	85.39	84.47	82.47	83.91
Library	22.93	23.00	25.00	26.75	26.75	21.25	21.25	0.00	0.00	0.00
Tourism	1.07	1.07	1.07	1.07	1.68	1.07	1.07	1.07	0.50	0.75
Other	2.56	2.56	2.34	2.59	1.89	1.89	1.89	1.67	1.67	1.67
Water and sewer	30.00	30.00	27.00	27.00	27.00	25.00	26.00	20.75	21.66	21.88
Water and sewer	30.00	30.00	27.00	27.00	27.00	25.00	26.00	20.75	21.66	21.88
Equipment services	1.46	1.46	1.34	1.46	1.06	1.07	1.07	0.94	0.94	0.94
Equipment services	1.46	1.46	1.34	1.46	1.06	1.07	1.07	0.94	0.94	0.94
Total	471.65	475.31	469.27	480.43	487.79	455.63	443.42	398.13	395.34	400.49

Source: City of Farmers Branch Finance Department

Notes: Information is reported from mid-year amended budgets.

CITY OF FARMERS BRANCH, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS  
(UNAUDITED)

		Fiscal Year				
		<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Public safety						
Police						
Number of employees	(1)	116.5	117	107	107	110
Number of sworn officers		74	74	74	74	74
Number of violations (citations)		29,308	23,207	19,091	20,424	21,284
Fire						
Number of employees		64	64	64	72	80
Number of EMS runs		1,912	2,083	1,994	2,114	2,257
Number of fire runs		3,302	3,113	3,071	1,445	1,193
Public works						
Street reconstruction (lane-miles)		1.0	1.2	1.0	5.0	3.5
Street resurfacing (lane-miles)		11.0	11.0	11.0	11.0	11.0
Culture and recreation						
Parks						
Recreation memberships sold (basic)	(2)		1,409	2,364	1,338	1,359
Recreation memberships sold (fitness)	(2)		894	1,771	709	814
Total pool admissions		19,537	16,757	16,835	14,355	13,214
Visits to Historical Park		51,106	49,706	48,293	45,216	50,231
Library						
Volumes borrowed		428,820	428,096	451,295	431,167	416,902
Volumes in library collection		101,156	104,018	111,617	119,347	120,970
Water and sewer						
Average daily water consumption (thousands of gallons)		7,856	8,083	9,655	7,525	8,569
Number of water consumers		9,442	9,444	9,490	9,472	9,441
Total water purchased (thousands of gallons)		2,867,538	2,950,227	3,523,898	2,746,547	3,127,749

Sources: Various City departments.

Notes: N/A - data unavailable at time of publication.

(1) The Municipal Court Division was moved to the Finance Department in fiscal year 2006.

(2) The Recreation Center was out of service from December 2002 until January 2004 while a new facility was being constructed. Prior to January 2004, the City did not sell memberships to the Recreation Center.

TABLE 16

Fiscal Year				
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
110	110	110	112	112
74	75	75	74	74
18,723	20,208	16,068	16,537	14,124
81	80	79	78	78
2,206	2,058	2,168	2,234	2,470
1,127	1,178	1,482	1,468	1,552
0.7	0.0	0.7	0.5	0.0
33.7	0.0	0.0	0.0	0.0
1,320	1,378	1,571	1,376	1,286
819	862	944	966	1,015
12,620	9,037	10,792	9,457	8,446
48,348	65,013	78,002	61,288	86,309
461,525	435,085	247,676	360,582	347,092
148,878	159,754	138,959	135,345	131,452
8,106	7,888	8,754	8,354	7,718
9,428	9,471	9,472	9,492	9,572
2,958,699	2,879,109	3,195,188	3,049,124	2,817,138

CITY OF FARMERS BRANCH, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS  
(UNAUDITED)

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General government					
Number of general government buildings	1	1	1	1	1
Public safety					
Number of police stations	1	1	1	1	1
Number of patrol units	14	14	15	15	14
Number of fire stations	2	2	2	2	3
Public works					
Streets (lane miles)	398	398	398	405	411
Number of traffic signals	49	49	52	54	54
Landfill capacity (million cubic yards)	24.5	24.5	24.5	24.5	24.5
Culture and recreation					
Acreage	400	400	400	387	387
Number of parks	28	28	28	26	26
Number of playgrounds	12	12	12	13	13
Number of swimming pools	1	1	1	1	1
Recreation center	1	1	1	1	1
Senior center	1	1	1	1	1
Library	1	1	1	1	1
Historical park	1	1	1	1	1
Utilities					
Water mains (miles)	171.0	171.0	171.0	173.4	173.4
Number of fire hydrants	1,861	1,864	1,864	1,899	2,002
Storage capacity (millions of gallons)	21.5	21.5	21.5	21.5	21.5
Sanitary sewers (miles)	139.2	139.2	139.2	140.8	140.8
Storm sewers (miles)	101	101	101	103	103

Sources: Various City departments.



TABLE 17

Fiscal Year				
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
1	1	1	1	1
1	1	1	1	1
14	16	16	16	15
3	3	3	3	3
411	411	411	411	411
54	59	58	58	58
24.5	24.5	24.5	24.5	24.5
392	392	392	392	392
31	31	31	31	31
13	13	13	13	13
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
173.4	210.0	210.0	203.0	203.0
2,002	2,026	2,018	2,085	2,012
21.5	21.5	21.5	21.5	21.5
140.8	158.0	158.0	162.0	162.0
103	104	104	104	104

SCHEDULE OF INSURANCE POLICIES IN FORCE  
 SEPTEMBER 30, 2013  
 (UNAUDITED)

POLICY ISSUED BY	AM BEST RATING	POLICY NUMBER	POLICY PERIOD	COVERAGE	DEDUCTIBLES	LIABILITY LIMITS
Texas Municipal League Intergovernment Risk Pool	A++	04687	10/1/2012 9/30/2013	General Liability	\$ 50,000	\$ 2,000,000
				Property	5,000	83,743,569
				Auto Liability	25,000	1,000,000
				Auto Physical Damage	2,500	Actual Cash Value
				Law Enforcement Liability	25,000	1,000,000
				Errors & Omissions	50,000	1,000,000
				Mobile Equipment	5,000	1,498,573
				Boiler & Machinery	5,000	8,000,000
				Employee Fidelity Bond	2,500	250,000
				Workers' Compensation	N/A	350,000 *(SIR)
				Animal Mortality (K-9)	0.00	As scheduled.
The Hartford Casualty Insurance Company	A+	61BSBDB6431	10/1/2012 9/30/2013	Fidelity Bond for Finance Director	2,500	250,000
Great American Alliance Insurance Company	A++	9951170	10/1/2012 9/30/2013	Underground Storage Tank	4,000	1,000,000
Sunlife Insurance Company	A+	216113-001	1/1/2013 12/31/2013	Stop Loss Coverage	100,000	1,000,000

Source: City of Farmers Branch Risk Manager

Notes: Claims Administrators - Workers' Compensation, TML Claims, 18601 LBJ Freeway, Suite 210, Town East Tower, Mesquite, Texas 75150.

\*(SIR) "Self Insured Retention"

## CONTINUING FINANCIAL DISCLOSURE SECTION

(Unaudited)

The Continuing Financial Disclosure Section presents various financial data originally distributed in a debt official statement. The City is required to update financial tables originally distributed in a debt official statement within six months after the end of the fiscal year ending on or after September 30, 1999. The financial tables that follow are updated through September 30, 2013, from the last debt issues that were sold May of 2013. This financial information is also sent to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of Texas and approved by the Securities and Exchange Commission ("SEC").

VALUATIONS, EXEMPTIONS, AND GENERAL OBLIGATION DEBT  
(UNAUDITED)

2013/2014 Market Valuation Established by DCAD		\$ 4,823,794,640
Less Exemptions/Reductions at 100% Market Value:		
Totally Exempt Parcels	\$ 396,616,687	
Homestead	182,136,323	
Freeport	198,678,396	
Over 65	144,782,495	
Agricultural	45,573,447	
Disabled Persons	7,167,796	
Pollution Control	952,621	
Disabled Veterans	850,696	
Veteran 100%	964,842	
Capped Value Loss	640,040	
Under 500	39,680	
Total Exemptions		978,403,023
2013/2014 Net Taxable Assessed Valuation		\$ 3,845,391,617
City Funded Debt Payable From Ad Valorem Taxes		
Outstanding General Obligation Debt	\$ 23,002,208	
Series 2011 General Obligation Refunding Bonds	6,366,350	
Series 2010 General Obligation Refunding and Improvement Bonds	446,723	
City Funded Debt Payable from Ad Valorem Taxes		\$ 29,815,281
Less: Self Supporting Debt		
Series 2011 General Obligation Refunding Bonds (1)		6,366,350
Series 2010 General Obligation Refunding and Improvement Bonds (2)		446,723
Net General Obligation Debt Payable from Ad Valorem Taxes		\$ 23,002,208
General Obligation Interest and Sinking Fund		243,741
Ratio of Gross General Obligation Tax Debt to Taxable Assessed Valuation		0.775%
Ratio of Net General Obligation Tax Debt to Taxable Assessed Valuation		0.598%
2013 Estimated Population - 28,800		
Per Capita Taxable Assessed Valuation - \$133,521		
Per Capita Funded Debt Payable from Ad Valorem Taxes - \$799		

## Notes:

(1) This debt consists of General Obligation Refunding Bonds, Taxable Series 2011, which are self-supporting based upon amounts received under a Ground Lease Agreement (the "Lease") entered into by the City and the Dallas Stars, L.P., with respect to the Dallas Stars Ice Skating facility located in the City. Payments under the Lease are not pledged to the payment of the bonds. If the City determines not to use payments under the Lease, or if such amounts are insufficient to pay debt service on the bonds, the City will be required to assess an ad valorem tax to pay such obligations.

(2) This debt consists of the self-supporting portion of the City's General Obligation Refunding and Improvement Bonds Series 2010 (refunding portion), which are being paid from hotel occupancy tax revenues. The City could discontinue its policy of paying such debt from hotel tax receipts, and, in lieu thereof, levy an ad valorem tax or use other lawfully available funds to pay such obligations.

TAXABLE ASSESSED VALUATIONS BY CATEGORY  
(UNAUDITED)

	2014		2013		2012	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	\$ 1,167,517,830	24.20%	\$ 1,156,011,600	24.65%	\$ 1,165,430,330	25.12%
Real, Residential, Multi-Family	259,748,470	5.38%	227,354,150	4.85%	201,978,900	4.35%
Real, Vacant Lots/Tracts	116,387,530	2.41%	111,118,590	2.37%	131,733,930	2.84%
Real, Commercial	2,095,038,740	43.43%	2,061,811,550	43.96%	2,044,454,780	44.06%
Real, Industrial	25,309,120	0.52%	23,661,060	0.50%	21,881,740	0.47%
Real, Oil, Gas, and Other Mineral Reserves	1,400	0.00%	1,400	0.00%	1,400	0.00%
Real and Tangible Personal, Utilities	98,555,060	2.04%	115,624,890	2.47%	123,186,540	2.65%
Tangible Personal, Commercial	846,821,690	17.56%	806,426,340	17.19%	783,212,230	16.88%
Tangible Personal, Industrial	214,414,800	4.44%	187,934,590	4.01%	167,923,470	3.63%
Total Appraised Value Before Exemptions	4,823,794,640	100.00%	4,689,944,170	100.00%	4,639,803,320	100.00%
Less: Total Exemptions/Reductions	978,403,023		1,001,711,549		1,008,013,466	
Taxable Assessed Value	<u>\$ 3,845,391,617</u>		<u>\$ 3,688,232,621</u>		<u>\$ 3,631,789,854</u>	

	2011		2010	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	\$ 1,199,294,510	24.27%	\$ 1,229,960,150	22.90%
Real, Residential, Multi-Family	199,875,950	4.05%	181,554,340	3.38%
Real, Vacant Lots/Tracts	139,837,770	2.83%	155,598,070	2.90%
Real, Commercial	2,139,397,690	43.32%	2,232,389,700	41.57%
Real, Industrial	23,173,350	0.47%	27,083,770	0.50%
Real, Oil, Gas, and Other Mineral Reserves	1,400	0.00%	1,400	0.00%
Real and Tangible Personal, Utilities	120,315,090	2.44%	118,802,590	2.21%
Tangible Personal, Commercial	946,479,540	19.16%	1,183,541,580	22.04%
Tangible Personal, Industrial	170,223,120	3.46%	241,329,110	4.50%
Total Appraised Value Before Exemptions	4,938,598,420	100.00%	5,370,260,710	100.00%
Less: Total Exemptions/Reductions	1,169,101,079		1,241,985,374	
Taxable Assessed Value	<u>\$ 3,769,497,341</u>		<u>\$ 4,128,275,336</u>	

## Notes:

Valuations shown are certified taxable assessed values reported by the Dallas Central Appraisal District (DCAD) to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the DCAD updates records.

VALUATION AND GENERAL OBLIGATION DEBT HISTORY  
(UNAUDITED)

FISCAL YEAR	ESTIMATED POPULATION (1)	TAXABLE ASSESSED VALUATION	TAXABLE ASSESSED VALUATION PER CAPITA (2)	G.O. TAX DEBT OUTSTANDING AT END OF YEAR (3)	RATIO OF G.O. TAX DEBT TO TAXABLE ASSESSED VALUATION (2)	G.O. TAX DEBT PER CAPITA (2)(3)
2010	28,616	\$ 4,128,275,336	\$ 144,265	\$ 27,380,000	0.66%	\$ 957
2011	28,600	3,769,497,341	131,801	24,330,000	0.65%	851
2012	28,620	3,631,789,854	126,897	21,289,001	0.59%	744
2013	28,800	3,688,232,621	128,064	19,671,757	0.53%	683
2014	28,800	3,845,391,617	133,521	27,638,389	0.72%	960

## Notes:

(1) Based on North Central Texas Council of Governments original population estimates with the exception of the current fiscal year, which is a projection and 2010, which is based on the 2010 U.S. Census.

(2) As reported by the Dallas Central Appraisal District on the City's Annual State Property Tax Reports; subject to change during the ensuing year.

(3) Includes self-supporting debt Series 2010 General Obligation Refunding and Improvement Bonds (refunding portion) and Taxable Series 2011 General Obligation Refunding Bonds.

TAX RATE, LEVY, AND COLLECTION HISTORY  
 LAST FIVE FISCAL YEARS  
 (UNAUDITED)

FISCAL YEAR	TAX RATE	GENERAL FUND	I & S FUND	TOTAL TAX LEVY	% CURRENT COLLECTIONS	% TOTAL COLLECTIONS
2009	\$ 0.4945	\$ 0.4423	\$ 0.0522	\$ 19,414,310	99.27%	99.84%
2010	0.5195	0.4516	0.0679	21,313,275	99.65%	99.54%
2011	0.5295	0.4892	0.0403	19,516,071	99.86%	99.62%
2012	0.5295	0.4873	0.0422	19,010,612	99.43%	99.46%
2013	0.5295	0.4935	0.0360	19,529,192	97.71%	97.71%

TEN LARGEST TAXPAYERS  
FISCAL YEAR 2014  
(UNAUDITED)

TAXPAYER	NATURE OF PROPERTY	TAXABLE VALUE	PERCENTAGE OF TOTAL CERTIFIED TAXABLE VALUE
70 Washington Street LP	Real Estate Investment Company	\$ 110,000,000	2.86%
Occidental Chemical Corporation	Chemical Production	70,224,330	1.83%
AT&T Communications	Telecommunications	61,680,860	1.60%
Garden Centura LP	Real Estate Investment Company	60,225,000	1.57%
EOS Properties at Providence Towers	Real Estate Investment Company	58,000,000	1.51%
TCI 600 Las Colinas Inc	Real Estate Developers	49,995,683	1.30%
Glazers Wholesale Drug Co.	Spirit and Wine Distribution	47,371,590	1.23%
TP IP Tower III Corp	Real Estate Investment Company	47,150,000	1.22%
Fenton Mercer Crossing Holding Co.	Real Estate Investment Company	46,500,000	1.21%
Lakeview at Parkside	Real Estate Developers	46,000,000	1.20%
		<u>\$ 597,147,463</u>	<u>15.53%</u>

Source: Dallas County, "City Report of Property Value," City of Farmers Branch



TAX ADEQUACY  
(UNAUDITED)

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2014 Principal and Interest Requirements (1)	\$ 3,169,971
\$0.0833 Tax Rate at 99% Collection Produces	3,171,179
Average Annual Principal and Interest Requirements, 2014-2030 (1)	\$ 2,233,362
\$0.0587 Tax Rate at 99% Collection Produces	2,234,672

## Note:

(1) Includes self-supporting debt Series 2010 General Obligation Refunding and Improvement Bonds (refunding portion) and Taxable Series 2011 General Obligation Refunding Bonds.

CITY OF FARMERS BRANCH, TEXAS

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS  
(UNAUDITED)

FISCAL YEAR	GENERAL OBLIGATION BONDS (1)			SPECIAL REVENUE BONDS (2)		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
2014	\$ 1,303,816	\$ 811,873	\$ 2,115,689	\$ 873,076	\$ 181,206	\$ 1,054,282
2015	1,360,539	766,993	2,127,532	426,353	171,436	597,789
2016	1,405,539	722,516	2,128,055	436,353	165,171	601,524
2017	1,455,539	672,855	2,128,394	441,353	157,357	598,710
2018	1,505,539	618,035	2,123,574	451,353	147,937	599,290
2019-2023	8,492,695	2,134,844	10,627,539	2,481,765	538,761	3,020,526
2024-2028	4,537,695	766,860	5,304,555	1,702,820	102,846	1,805,666
2029-2033	2,940,846	193,188	3,134,034			
	<u>\$ 23,002,208</u>	<u>\$ 6,687,164</u>	<u>\$ 29,689,372</u>	<u>\$ 6,813,073</u>	<u>\$ 1,464,714</u>	<u>\$ 8,277,787</u>

Notes:

(1) "General Obligation Bonds" do not include lease/purchase obligations.

(2) Self-Supporting Debt: Series 2010 General Obligation Refunding and Improvement Bonds (refunding portion) [average life of issue - 2.213 years] and Taxable Series 2011 General Obligation Refunding Bonds [average life of issue - 7.714 years].

TABLE CD-7

TOTAL DEBT SERVICE REQUIREMENTS		% OF PRINCIPAL RETIRED
\$	3,169,971	7.30%
	2,725,321	13.29%
	2,729,579	19.47%
	2,727,104	25.83%
	2,722,864	32.40%
	13,648,065	69.21%
	7,110,221	90.14%
	3,134,034	100.00%
\$	37,967,159	

INTEREST AND SINKING FUND BUDGET PROJECTION  
(UNAUDITED)

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Interest and Sinking Fund, 9/30/13	\$	243,741	
Interest and Sinking Fund Tax Levy		2,122,000	
Transfer for Hotel Occupancy Tax Debt Service		455,600	
Transfer for Tax and Revenue Debt Service		602,200	
Estimated Investment Income			\$ 3,423,541
Less: Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/13	(1)		3,169,971
Estimated Balance 9/30/14			<u>\$ 253,570</u>

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Note:

(1) Includes Series 2010 General Obligation Refunding and Improvement Bonds (refunding portion) and Taxable Series 2011 General Obligation Refunding Bonds.

COMPUTATION OF SELF-SUPPORTING DEBT  
(UNAUDITED)

	(1)	
Stars Center Revenues		\$ 663,000
Less: Requirements for Taxable Series 2011 General Obligation Refunding Bonds		600,700
Balance Available for Other Purposes		<u>\$ 62,300</u>
	(2)	
Hotel/Motel Occupancy Tax Revenues		\$ 2,507,000
Less: Requirements for Series 2010 General Obligation Refunding and Improvement Bonds		450,600
Balance Available for Other Purposes		<u>\$ 2,056,400</u>

## Notes:

(1) The Taxable Series 2011 General Obligation Refunding Bonds refunded Taxable Series 2004 Certificates of Obligation. The Taxable Series 2004 Certificates of Obligation were self-supporting general obligation debt based upon amounts received under the terms of a Ground Lease Agreement (the "Lease") between the City and the lessee, the Dallas Stars, L.P. (the "Dallas Stars"), which Lease relates to the community-style recreational ice-skating and conference facility financed in part with the proceeds of the Series 2004 Taxable Certificates. The obligation of the Dallas Stars to make lease payments to the City to support the payment of the bonds is dependent on the satisfaction of certain ongoing requirements in the Lease. The City currently transfers Lease payments to the debt service fund to pay debt service on the bonds and anticipates it will continue to do so. If the City discontinues such transfers, the City will be required to assess an ad valorem tax for the payment of the bonds.

(2) The City's Series 2010 General Obligation Refunding and Improvement Bonds (refunding portion) are secured by a pledge of the ad valorem taxes and receipts from the 7% hotel occupancy tax collected by the City for the promotion of tourism in the City. The City transfers hotel tax revenues to the debt service fund to pay debt service on the refunding portion of this issue and anticipates that it will continue to do so to pay the outstanding balance. If the City discontinues such transfers, the City will be required to assess an ad valorem tax for the payment of the bonds.

HOTEL/MOTEL TAX REVENUE  
LAST TEN FISCAL YEARS  
(UNAUDITED)

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<u>FISCAL YEAR</u>	<u>HOTEL/MOTEL TAX REVENUE</u>	<u>NUMBER OF ROOMS</u>
2004	\$ 1,786,530	2,173
2005	1,965,693	2,194
2006	2,249,499	2,196
2007	2,487,792	2,137
2008	2,507,434	2,137
2009	1,974,308	2,137
2010	1,821,619	2,137
2011	2,017,818	2,137
2012	1,932,530	2,137
2013	2,253,459	2,137

HOTEL OCCUPANCY TAXPAYERS  
 SEPTEMBER 30, 2013  
 (UNAUDITED)

HOTEL	NUMBER OF ROOMS	TAXES PAID	% OF TOTAL
Omni Dallas Hotel @ Park West	337	\$ 668,900	29.67%
Sheraton Dallas North	310	529,417	23.49%
Doubletree Hotel Dallas	290	354,899	15.75%
Doubletree Club Hotel	160	265,120	11.77%
Night Hotel	375	144,491	6.41%
Fairfield Inn	107	99,798	4.43%
Motel 6 (prev. LaQuinta)	122	61,420	2.73%
Days Inn North Dallas	72	40,029	1.78%
Super 8	50	33,806	1.50%
Studio Plus	86	24,338	1.08%
Econolodge Dallas Airport North	120	22,200	0.99%
America's Best Value Inn	103	7,864	0.35%
Villas at Parkside	2	547	0.02%
Lakeview at Parkside	1	406	0.02%
Chateau DeVille Apartments	2	224	0.01%
	<u>2,137</u>	<u>\$ 2,253,459</u>	<u>100.00%</u>

GENERAL FUND REVENUE AND EXPENDITURE HISTORY  
 FISCAL YEARS ENDED SEPTEMBER 30  
 (UNAUDITED)

	FISCAL YEARS ENDED SEPTEMBER 30				
	2013	2012	2011	2010	2009
REVENUES					
Property, sales, and franchise taxes	\$ 35,934,981	\$ 34,153,059	\$ 34,728,480	\$ 33,568,755	\$ 33,345,154
Licenses and permits	1,015,017	1,012,913	886,511	559,979	485,241
Charges for services	4,539,757	4,624,287	4,780,573	4,803,469	4,360,812
Fines and forfeitures	2,121,697	2,184,699	2,418,042	2,509,385	2,115,780
Investment income	600,333	587,856	559,534	526,954	661,046
Intergovernmental	111,456				
Miscellaneous	85,025	56,202	63,635	63,759	78,500
Total revenues	44,408,266	42,619,016	43,436,775	42,032,301	41,046,533
EXPENDITURES					
General government	10,538,652	11,287,146	9,572,919	10,020,465	9,801,506
Public safety	21,640,592	20,609,761	19,899,281	19,678,114	19,983,636
Public works	5,717,415	5,665,710	5,653,112	6,383,693	6,857,651
Culture and recreation	10,678,436	10,526,017	9,894,306	10,022,539	10,043,451
Loss due to decline in market value		95,459	48,344		
Total expenditures	48,575,095	48,184,093	45,067,962	46,104,811	46,686,244
Deficiency of revenues under expenditures	(4,166,829)	(5,565,077)	(1,631,187)	(4,072,510)	(5,639,711)
OTHER FINANCING SOURCES (USES)					
Transfers in	3,777,500	3,949,773	4,157,478	4,172,968	5,329,790
Transfers out				(362,800)	
Sale of capital assets/insurance recoveries	797,381	1,569,531	491,084	61,517	97,485
Total other financing sources	4,574,881	5,519,304	4,648,562	3,871,685	5,427,275
Net change in fund balance	408,052	(45,773)	3,017,375	(200,825)	(212,436)
Fund balances--beginning	11,599,826	11,645,599	8,628,224	8,829,049	9,041,485
Fund balances--ending	\$ 12,007,878	\$ 11,599,826	\$ 11,645,599	\$ 8,628,224	\$ 8,829,049



MUNICIPAL SALES TAX HISTORY  
 LAST FIVE FISCAL YEARS  
 (UNAUDITED)

FISCAL YEAR	TOTAL COLLECTED	% OF AD VALOREM TAX LEVY	EQUIVALENT OF AD VALOREM TAX RATE	PER CAPITA
2009	\$ 11,912,047	59.93%	\$ 0.2963	\$ 383.02
2010	10,890,296	50.78%	0.2638	380.57
2011	11,988,696	60.07%	0.3180	419.19
2012	12,750,809	66.31%	0.3511	445.52
2013	13,689,917	70.10%	0.3712	475.34

The sales tax breakdown for the City is as follows:

Dallas Area Rapid Transit (DART)	1.00¢
City Sales and Use Tax	1.00¢
State Sales and Use Tax	6.25¢
Total	<u>8.25¢</u>

CURRENT INVESTMENTS  
 SEPTEMBER 30, 2013  
 (UNAUDITED)

DESCRIPTION OF INVESTMENT	% OF PORTFOLIO	PURCHASE PRICE	MARKET VALUE
Certificates of Deposit	30.65%	\$ 11,905,000	\$ 11,905,000
Federal Home Loan Mortgage Corporation	27.90%	10,836,141	10,836,429
Federal National Mortgage Association	17.88%	6,947,302	6,947,302
Federal Home Loan Bank	12.23%	4,749,578	4,749,276
Municipal Obligations	7.23%	2,809,178	2,809,182
Federal Farm Credit Bank	3.86%	1,498,717	1,498,717
TexPool	0.26%	100,271	100,271
	<u>100.00%</u>	<u>\$ 38,846,187</u>	<u>\$ 38,846,177</u>

HISTORICAL WATER AND WASTEWATER USAGE  
 LAST FIVE FISCAL YEARS  
 (UNAUDITED)

FISCAL YEAR	WATER USAGE AMOUNT IN GALLONS (000)			WASTE WATER CONSUMPTION AMOUNT IN GALLONS (000)
	TOTAL CONSUMPTION	PEAK DAY	AVERAGE DAY	TOTAL USAGE
2009	2,958,699	15,550	8,106	1,311,979
2010	2,879,109	15,452	7,888	1,431,042
2011	3,195,188	14,473	8,754	1,164,875
2012	3,049,124	16,075	8,354	1,181,322
2013	2,817,138	15,591	7,718	1,121,936

Note: Total consumption represents total gallons of water purchased by the City.

TOP TEN WATER CONSUMERS  
 SEPTEMBER 30, 2013  
 (UNAUDITED)

CONSUMER	TYPE OF INDUSTRY	2012-13 CONSUMPTION (GALLONS)	% OF TOTAL CONSUMPTION	2012-13 REVENUES	% OF REVENUES
Maxim Integrated Products, Inc.	Semiconductor Manufacturing	88,129,000	3.1%	\$ 341,057	3.4%
Brookhaven Country Club	Recreation	44,043,000	1.6%	151,080	1.5%
Lakeview at Parkside	Real Estate	41,328,000	1.5%	197,971	2.0%
Dallas County Community College	Education	32,558,000	1.2%	137,590	1.4%
Cooks Creek Apartments	Real Estate	30,675,000	1.1%	129,878	1.3%
Daltex Centre LP	Real Estate Developers	26,342,000	0.9%	114,888	1.2%
Parish Day School	Education	23,387,000	0.8%	99,110	1.0%
Dallas Medallion Hotel	Lodging	23,156,000	0.8%	89,811	0.9%
Ventana at Valwood, MMH Mgmt	Real Estate	22,800,000	0.8%	82,389	0.8%
Fenton Mercer Crossing Holding Co.	Real Estate	21,795,000	0.8%	92,526	0.9%

Source: City of Farmers Branch Finance Department

MONTHLY WATER AND SEWER RATES  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

FISCAL YEAR	WATER RATES				SEWER RATES	
	MONTHLY BASE 2,000 GALLONS	RATE PER 1,000 GALLONS			MONTHLY BASE 2,000 GALLONS	RATE PER 1,000
						GALLONS
		NEXT 8,000 GALLONS	NEXT 10,000 GALLONS	OVER 20,000 GALLONS		OVER
						2,001 GALLONS (1)
2004	\$ 8.80	\$ 2.59	\$ 2.56	\$ 2.66	\$ 9.20	\$ 1.24
2005	9.20	2.71	2.81	2.92	9.61	1.30
2006	10.44	3.08	3.19	3.31	10.91	1.48
2007	10.44	2.83	3.19	3.31	10.91	1.48
2008	10.44	2.83	3.19	3.31	10.91	1.48
2009	11.69	3.17	3.57	3.71	12.22	1.66
2010	11.69	3.17	3.57	3.71	12.22	1.66
2011	11.69	3.17	3.57	3.71	12.22	1.66
2012	11.69	3.17	3.57	3.71	12.22	1.66
2013	12.04	3.27	3.68	3.82	12.59	1.71

## Notes:

Rates are based on 3/4" and 5/8" meters, which are the standard household meter sizes. The City charges an additional rate for non-standard meter sizes.

(1) Private residents are not charged for sewer beyond 10,000 gallons.

CONDENSED STATEMENT OF WATER AND SEWER SYSTEM OPERATIONS  
 FISCAL YEARS ENDED SEPTEMBER 30  
 (UNAUDITED)

	FISCAL YEARS ENDED SEPTEMBER 30				
	2013	2012	2011	2010	2009
REVENUES					
Charges for services	\$ 14,190,778	\$ 14,042,029	\$ 14,734,438	\$ 13,352,443	\$ 14,185,971
Investment income	20,563	33,868	55,111	62,486	248,022
Miscellaneous	3,561	17,790	3,134	16,207	2,780
Total revenues	<u>14,214,902</u>	<u>14,093,687</u>	<u>14,792,683</u>	<u>13,431,136</u>	<u>14,436,773</u>
EXPENDITURES					
Personal services	1,670,624	1,720,757	1,716,411	1,847,978	1,842,389
Materials and supplies	246,796	239,833	231,313	215,203	250,047
Maintenance and utilities	1,119,517	1,005,976	1,154,384	1,771,420	1,527,874
Purchase of water	4,476,816	4,500,402	4,372,453	4,593,133	4,487,328
Sewage treatment	2,357,421	1,892,943	2,128,074	2,068,099	1,872,221
Total expenditures	<u>9,871,174</u>	<u>9,359,911</u>	<u>9,602,635</u>	<u>10,495,833</u>	<u>9,979,859</u>
Net available for debt service	<u>\$ 4,343,728</u>	<u>\$ 4,733,776</u>	<u>\$ 5,190,048</u>	<u>\$ 2,935,303</u>	<u>\$ 4,456,914</u>
CUSTOMERS	9,572	9,492	9,472	9,471	9,428

## Notes:

The above calculation of amounts available for payment of system debt service excludes non-cash expenses such as depreciation and amortization. Debt service payments are also excluded. Certain non-cash revenue sources, principally investment income, are included.